



Daily Report

China

**FBIS-CHI-90-007
Wednesday
10 January 1990**

Daily Report

China

FBIS-CHI-90-007

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General

France-Taiwan Warship Deal Cancellation Confirmed

OW1001065890 Beijing XINHUA in English
0630 GMT 10 Jan 90

[Text] Beijing, January 10 (XINHUA)—A Chinese Foreign Ministry spokesman confirmed today that China has been informed by the French Government that the concerned quarters in France had stopped the negotiations regarding the sales of warships to Taiwan in a decision to discontinue the deal.

Earlier, an AFP dispatch from Paris on January 9 says that France has decided against selling warships to Taiwan.

The spokesman of Hotel Matignon confirmed this report to a XINHUA correspondent based in Paris, in response to the latter's enquiry.

Colombia Opposes U.S. Warship Blockade

HK1001091090 Beijing RENMIN RIBAO in Chinese
9 Jan 90 p 4

[Article by staff reporter Zhu Manting 2612 3341 1656]: "Colombia Opposes U.S. Warships Blockading Its Coastal Waters"]

[Text] Calarca 8 Jan (RENMIN RIBAO)—Two American warships, the aircraft carrier USS John F. Kennedy and the USS Virginia, a nuclear-powered cruiser were sent to the coast of Colombia from their base in Virginia as part of an anti-drug smuggling operation to monitor drug-trafficking vessels and planes. This U.S. action has roused the strong opposition of the Colombian Government and public opinion, and cast a shadow on the high-ranking anti-drug meeting scheduled to be held in the Colombian city of Cartegena on 15 February.?

The setting up of an anti-drug blockade along Colombian coastal waters was a project proposed by the U.S. Pentagon toward the end of December, 1989. The project was rejected by the Colombian authorities as soon as it was disclosed. On 30 December, Colombia's Minister of Government Carlos Lemos stated that such a "blockade" was an "antagonistic attitude" toward Colombia, and of course unacceptable; and added that it would be best for the United States to set up such a monitoring line along its own coastal waters.

Despite this explicit stand of Colombia, the United States has dispatched its warships to the Colombian coast, and the U.S. action promptly drew strong repercussions from Colombian public opinion. In Bogota, various major papers have prominently carried on their front pages this trend of the U.S. warships. Some papers explicitly pointed out that this is a threat from the United States on the Caribbean Sea. The January Communique by the Colombian President's Office stated: "The Colombian Government has not, and will not participate in any joint military actions with the U.S.

Naval Air Force in the international waters of the Caribbean." The Colombian President Mr Virgilio Barco has also explicitly stated that he will not, nor does he desire to approve such arrangements on Colombian territorial waters. According to the U.S. press, the United States sent a delegation to Colombia to explain its anti-drug project; however, the Colombian authorities refused to receive the delegation.

Facing Colombia's clear-cut stand, the U.S. Government began to speak evasively on this issue, and even put the blame on the press. Anyway, sending one's aircraft carrier and cruiser with modern equipment to the gate of another country is obviously unacceptable to any sovereign state that has national pride. On the anti-drug issue, the Colombian Government has expressed their willingness to accept U.S. economic and logistic support, but has all along rejected military aid to avoid any injury of its sovereignty. The Colombian Government's refusal of U.S. warships patrolling Colombian coastal waters falls in line with its stand. On the other hand, U.S. military invasion in Panama has also caused unease among Latin American countries. Quoting a U.S. official, THE NEW YORK TIMES said that the Colombians feel all the more tense since the United States has invaded Panama to apprehend Noriega; they are worried that the U.S. action in Panama will set a "precedent in apprehending drug-traffickers" in other countries."

Colombia has unfolded an unprecedented wide-scope anti-drug war since August 1989, and scored great results. In early October the same year, the Colombian, Peruvian, and Bolivian presidents sent an invitation to U.S. President Bush to a summit to focus on discussing the anti-drug issue. The summit is scheduled to begin on 15 February. With the U.S. invasion on 20 December 1989, Peruvian President Garcia stated that should the United States fail to pull out its troops prior to the summit, he would not attend the summit. Now that Colombia and the United States are confronting each other on the issue of U.S. warships setting up blockade, whether the summit will take place as scheduled has become a concern for the international community.

DPRK, U.S. Embassies in Beijing Discuss Korea

OW1001045490 Beijing XINHUA in English
0734 GMT 9 Jan 90

[Text] Pyongyang, January 9 (XINHUA)—Councillors of the Democratic People's Republic of Korea's (DPRK) and the U.S. Embassies to Beijing made contact for the sixth time last Friday to discuss the Korea issue.

During the contact, the DPRK side explained the new proposal made by DPRK President Kim Il-song in his New Year address to dismantle the barrier between the two sides of Korea, permit free travel and full opening, and to convene a consultative conference for this purpose, a DPRK Foreign Ministry spokesman said recently in Pyongyang.

"As the United States welcomes the opening of barriers of division in another country, it should positively respond to the proposal for pulling down the concrete wall in the area south of the military demarcation line in Korea," he said.

The DPRK also urged the United States to participate in tripartite talks involving the two sides of Korea and the United States to discuss a nuclear-free zone on the Korean peninsula. The DPRK made the proposal at the last contact held in Beijing two months ago.

The U.S. side said the United States is not prepared for such talks. It also spoke of a safeguard agreement under the nuclear non-proliferation treaty.

The DPRK said that such an agreement is a matter between the DPRK and the International Atomic Energy Agency, and what the United States should do is to show concern for the withdrawal of its nuclear weapons deployed in South Korea.

CPC Delegation Departs for Morocco, Cyprus

*OW1001003290 Beijing XINHUA in English
0737 GMT 9 Jan 90*

[Text] Beijing, January 9 (XINHUA)—A goodwill delegation from the Chinese Communist Party left here today for visits to Morocco and Cyprus at the invitations of the Party of Progress and Socialism of Morocco and the Working People's Progressive Party of Cyprus.

The delegation is led by Li Chengren, deputy head of the International Liaison Department of the Chinese Communist Party Central Committee.

Academy Engages Foreign Scientists as Researchers

*OW0901135490 Beijing XINHUA in English
1203 GMT 9 Jan 90*

[Text] Beijing, January 9 (XINHUA)—The Chinese Academy of Sciences has in recent years enlisted more than 100 foreign scientists, half of them of Chinese origin, to act as honorary or visiting professors, advisors, and academic members.

Disclosing this today, an official of the academy, which is China's top scientific institution, said here: "Most of the foreign researchers have played an important role in promoting the academy's scientific work."

For example, in its collaboration with the French in the construction of China's first heavy ion accelerator and its research on heavy ion nuclear physics, the Lanzhou Modern Physics Institute of the academy invited a French accelerator engineer to be its honorary professor. He later helped his Chinese colleagues to solve a number of technical problems.

Some of the foreign experts the academy invited have been leaders in the frontier sciences. Professor Yuan-Tsueh Lee, for example, a nobel laureate of chemistry at the University of California at Berkeley, has been

working as an honorary professor with the Chemistry Institute of the academy since 1980. Recently he helped the institute to successfully design a rotational molecular beam device, a highly sophisticated chemical laboratory apparatus.

United States & Canada

New Ambassador Views U.S. Relations

*HK1001090090 Hong Kong CHING PAO in Chinese
No 150, 10 Jan 90 pp 68-69*

[Article by Mo Li-ya (5459 0448 0068) at the Chunhui Office in the United States on 20 December 1989: "An Interview With Zhu Qizhen (2612 0796 4394) Who is Shouldering the Important Task of Improving Sino-U.S. Relations"]

[Text] The applications for extension by the 29,000 mainland students currently studying in the United States when the period of validity of their passports expires will all be given a fair and reasonable solution.

From 4 June to the end of November 1989, some 700 personnel studying abroad (among them more than 300 studied in the United States) returned home after completion of their studies.

Following Henry Kissinger and Richard Nixon's trips to Beijing in 1971 and 1972 and George Bush's taking up residence [zhu jie 7465 4634] in Beijing from 1974 to 1975, U.S. presidential special convoys General Brent Scowcroft and Deputy Secretary of State Lawrence Eagleburger started their Beijing trip at Andrews Air Force Base in the early morning hours at 0245 on 8 December 1989. This unusual diplomatic move was viewed by the U.S. press circles as the boldest and most risky act taken by President Bush in the first year since he assumed office.

On the tenth day following the new movement or on the afternoon of 18 December, Zhu Qizhen, the PRC's new ambassador to the United States, presented credentials on assuming office to President Bush in the White House to replace Han Xu, the retired former ambassador to the United States. President Bush expressed welcome to Ambassador Zhu Qizhen and had a "sincere and frank" conversation with the latter on "bilateral issues."

He Has 40 Years of Diplomatic Experience

Zhu Qizhen, born in Jiangsu Province, China, in 1927, graduated from St John's University in Shanghai in 1948. He was assigned to work in China's Ministry of Foreign Affairs in 1949 and thus he started his diplomatic career. Previously he took up the posts of first secretary of the Chinese Embassy to Cairo, deputy director of the Department of West Asian and North African Affairs of the State Council, councillor for government affairs of the Chinese Embassy to Australia, deputy director and director of the Department for Affairs of the Americas and Oceania of the Ministry of

Foreign Affairs, and assistant minister and deputy minister of foreign affairs. After he assumed office as deputy director of the Department for Affairs of the Americas and Oceania of the Ministry of Foreign Affairs in 1979, he began participating in issues relating to the Sino-U.S. relations, the negotiations on the establishment of diplomatic relations between China and the United States and on the solution of the problem of U.S. weapons sales to Taiwan, accompanied such Chinese leaders as Deng Xiaoping and Li Xiannian in visiting the United States, and also participated in President Ronald Reagan and President Bush's visits to China.

Zhu Qizhen's hobby is playing bridge.

What pleased this reporter was that on the second day after Zhu Qizhen assumed office, he granted an interview to the monthly CHING PAO before others but what was regrettable was that the ambassador appeared to be particularly overcautious in answering questions.

Optimism Is Based on Two Judgments

Reporter: In the international situation characterized by a constant change of events, as a new Chinese ambassador to the United States, you once said: "The current relations between China and the United States are in a difficult position but they have bright prospects." May I ask you how people should understand the connotations of this remark of yours?

Zhu Qizhen: I did say that the current difficulty in the Sino-U.S. relations was temporary but the prospects of their development was bright. My argument is based mainly on two judgments: First, although there are differences, and even serious differences, between China and the United States on some issues, the two countries have common major interests in vast areas of endeavor. Safeguarding and developing the Sino-U.S. relations is not only conducive to China and the United States but also conducive to the peace and stability of the Asian-Pacific region and the world as well.

Second, the peoples of China and the United States have a history of friendly exchanges lasting more than 200 years. Particularly since the establishment of diplomatic relations, the exchange and cooperation between the two countries in such areas as politics, economics, culture, science and technology, and education have developed in an overall manner and the friendship of the two peoples further deepened. The demand for continued development of the friendly and cooperative relations between the two countries will eventually prevail. It is precisely because my argument is based on the above judgments that as I see it, although the Sino-U.S. relations have currently undergone the most difficult period since their establishment, from a long-term point of view, they will be resumed and develop.

The Hows of the Special Envoys' Visit to China

Reporter: The side-by-side visit to Beijing by the U.S. White House's National Security Adviser General

Scowcroft and Deputy Secretary of State Eagleburger has helped break the deadlock between China and the United States. How do you appraise this move of President Bush's? How will China set about resuming, improving, and developing the Sino-U.S. relations which became deadlocked after the "4 June" event?

Zhu Qizhen: The visit to China by the U.S. presidential envoys Scowcroft and Eagleburger has helped deepen mutual understanding between China and the United States, overcome the difficulties in the Sino-U.S. relations, and helped gradually resume and develop the relations between the two countries. The current visit was constructive and useful. I firmly believe that so long as both sides strictly follow the Five Principles of Peaceful Coexistence and the principles established by the three communiques between China and the United States, especially the principle of mutual respect for sovereignty and territorial integrity and of non-interference in each other's internal affairs, make concerted efforts to improve bilateral relations, and do more solid work, the Sino-U.S. relations will become normal and continue to expand.

Will the Policy Toward Students Studying Abroad Change?

Reporter: Will China's policy toward students studying abroad change in the days ahead?

Zhu Qizhen: In their speeches on many occasions, Chinese leaders have pointed out: China's policy of reform and opening up to the outside world remains unchanged. Sending students to study abroad is part and parcel of the policy. We will continue to send personnel overseas to study, do research and investigation, extensively learn other countries' strong points, and promote friendship with the peoples of all countries. More than 10,000 students have returned home after completion of their studies and have been bringing their intelligence and wisdom into play and making contributions on all fronts, universities and colleges, and scientific research institutions in our country.

Reporter: According to the recently published annual report of the survey of higher education in the United States, there are currently 29,040 students from the mainland studying in the United States and China thus ranks first in the world in term of the number of students studying in the United States. Whether or not the embassy (consulates) will make things difficult in varying degrees for the students who took an active part in the activities to support the pro-democracy movements overseas when they apply to extend their passports? After returning home, is it possible or not that they will be subjected to persecution or persecution in disguised form?

Zhu Qizhen: As far as personnel studying in the United States are concerned, when the period of validity of their passports expires, the applications with our embassy (consulates) to the United States for extension of their

passports will all be given a fair and reasonable solution. Therefore, there is no question of "creating difficulties."

When it comes to the personnel studying in the United States who took some extremist actions and made some extremist statements when the counterrevolutionary rebellion took place in Beijing this year because they failed to gain a clear picture of what was really going on in their country and were influenced by the distorted reports by Western mass media, our government has repeatedly announced that it will adopt a tolerant attitude and not investigate and fix responsibilities for their actions and statements. No investigation will be done on them today and after they returning home, they will not be investigated. In fact, according to the incomplete statistics released by a department concerned, from 4 June to the end of November, more than 700 personnel studying abroad (among them some 300 studied in the United States) returned home after completion of their studies and a greater number of them went home on furlough and for family visits or official business trips. They were welcomed by the motherland and the people and given jobs commensurate with their conditions. Moreover, they are allowed to go abroad once again in accordance with the rules and regulations currently in force.

Chamber of Commerce To Seek Ties

*OW1001005190 Beijing XINHUA in English
1058 GMT 9 Jan 90*

[Text] Hong Kong, January 9 (XINHUA)—The American Chamber of Commerce (AMCHAM) in Hong Kong expected to visit several Chinese cities and meet Chinese Government officials this year to rebuild its relations with China, local papers reported here today.

The reports quoted John Kamm, new president of the AMCHAM, as saying in his inaugural speech on Monday that the chamber expected to visit coastal cities in China to determine how economic reforms were proceeding.

The reports said that AMCHAM has a series of activities planned for this year, the most crucial being a meeting with government officials from the Chinese Ministry of Foreign Economic Relations and Trade, the China Council for Promotion of International Trade (CCPIT), the Bank of China and the Foreign Exchange Administration.

Although a date has not been set, the mission, on invitation from the CCPIT, aims at examining the impact and duration of China's austerity program on U.S. business interests.

The chamber will hold a seminar in Guangzhou in March, and will visit Chengdu in Sichuan Province to investigate business prospects there.

"We want to see how we can improve the investment climate in China by June," Kamm said.

In his speech, Kamm also reiterated the chamber's view opposing economic sanctions and boycotts against China as self-defeating, the reports said.

Kamm promised to "lobby hard to defeat measures which the United States Congress seeks to impose on our trade with China" and to "oppose protectionism wherever it is found."

Besides, the AMCHAM also intended to launch trade missions to countries such as Burma, Laos and "other socialist countries seeking the path of reform" and take active steps to explore new markets throughout the Southeast Asian region. The group would lobby U.S. Congress for a more open business climate with Vietnam, Kamm added.

John Kamm, who has lived in Hong Kong since 1972, is a vice-president of Occidental Petroleum (Far East) Ltd. He joined the American Chamber of Commerce in the mid-70s and has been active in the group's China program.

Ford Foundation Aids Yunnan Development

*OW1001003590 Beijing XINHUA in English
0857 GMT 9 Jan 90*

[Text] Kunming, January 9 (XINHUA)—An experimental project for comprehensive development of poverty stricken areas has started in villages and towns in four counties in Yunnan Province.

The project is financed by the Ford Foundation of the United States which will provide 800,000 U.S. dollars for the four-year program.

The foundation's Winrock International Institute for Agricultural Development is in charge of the project and has sent an expert, Nick Menzies, to Yunnan to give on the spot technological guidance. More than 50 Chinese and foreign experts will take part in the project.

This is the first time for the U.S. foundation to provide funds for China's help-the-poor campaign.

Ninety-four percent of Yunnan, a multi-ethnic province, is covered by mountains and most of its impoverished areas are inhabited by minority nationalities.

The experts and technicians will help the minorities learn new skills. The experts will also develop agriculture, forestry and the cultivation of fruit and rubber trees and medicinal herbs in order to make them rich.

At the first symposium and training class earlier this month in Kunming, the capital of Yunnan, American Professor Nancy Peluso gave a report on rural social investigation to representatives of the experimental counties, villages and some experts from the province.

Peter Geithner, chief representative of the Beijing Office of the Ford Foundation, said the reason his foundation chooses Yunnan is that it has conditions similar to some Southeast Asian countries.

Last July, two experts from Yunnan Province went on a study tour to Thailand to observe the development of hilly areas in that country.

Li Tieying Meets With Migration Commissioner

OW09J1211390 Beijing XINHUA in English
0818 GMT 9 Jan 90

[Text] Beijing, January 9 (XINHUA)—Li Tieying, Chinese state councillor and minister in charge of the State Educational Commission, met here today with Esther Lee Yao, commissioner of the Commission for the Study of International Migration and Cooperative Economic Development of the United States.

Trade Delegation Seeks Cooperative Ventures

HK0601020590 Beijing CHINA DAILY in English
5 Jan 90 p 2

[By staff reporter Zhang Yuan]

[Text] A three-person delegation from the most authoritative organization on China's foreign trade information service will fly to the United States and Canada today, seeking business co-operation, CHINA DAILY learned yesterday.

The delegation is headed by Rong Xingquan, director and senior engineer of the Computing Centre under the Ministry of Foreign Economic Relations and Trade.

Rong said that during his 20-day tour, he will first visit Los Angeles and decide the location of his first information service company—the China Economic and Trade Information Consulting Inc.—in the United States.

"The establishment of the consulting company is designed to fill in the gap and to help U.S. firms to know more about China, to find cooperative partners in China and provide Chinese enterprises with the latest information on the U.S. trade and market," Rong said.

He believed that businessmen from both countries desired a steady development of their businesses.

The delegation's second stop will be Boston where they hope to sign an agreement on information cooperation with the Small Business Service Bureau (SBSB) Inc. in Worcester City.

Co-operating with SBSB will help to promote co-operation between the two countries' small and medium businesses.

In the United States, apart from paying a visit to the U.S. Hewlett Packard Corporation to buy its advanced computers, Rong will also visit an energy resource transformer company in Detroit.

Rong said his centre is going to invest money to set up a factory producing energy resource transformers if talks on technology import progress.

Soviet Union

Further on Rogachev Visit to Beijing

HK1001002590 Hong Kong SOUTH CHINA MORNING POST in English 10 Jan 90 p 1

[By Willy Wo-lap Lam]

[Text] The Soviet President, Mr Mikhail Gorbachev, has sent Deputy Foreign Minister, Mr Igor Rogachev, to Beijing to narrow the widening gap between the two communist neighbours in the wake of liberalization movement in Eastern Europe.

Mr Rogachev, Moscow's ranking China expert, arrived in the Chinese capital yesterday on a three-day visit.

Speaking at Beijing airport, Mr Rogachev said he hoped to hold "fruitful and friendly" discussions with Chinese leaders.

"I have not been here for three months. It is a good sign that we cannot exist without each other for a very long time," he said.

Mr Rogachev added that Sino-Soviet relations had developed quickly since Mr Gorbachev visited China in May last year, formally ending a rift of nearly 30 years.

Analysts say Sino-Soviet relations have deteriorated since last May because of accusations by Chinese leaders, including patriarch, Mr Deng Xiaoping and the Vice-President, Mr Wang Zhen, that reforms by Mr Gorbachev have "deviated from the socialist path" and smacked of the "revisionism" of the era of Nikita Krushchev.

Chinese leaders have also blamed Soviet policies for the failure of communist regimes in Eastern Europe.

In an effort to repair the rift, Mr Gorbachev sent a personal envoy, Mr Valentin Falin, to visit Beijing late in December.

Mr Falin handed a personal missive by Mr Gorbachev to the General Secretary, Mr Jiang Zemin, but his fence-mending trip apparently ended in failure.

"Mr Gorbachev, who had invited Mr Jiang to visit Moscow in early 1990, has asked Mr Falin to finalise the date of the trip," an Asian diplomat said.

"However, Mr Jiang has apparently decided to postpone the trip indefinitely. One of Mr Rogachev's objectives is to fix a date for a prospective visit to the USSR by Premier Li Peng."

Diplomatic sources say Moscow hopes Mr Li, a Soviet-trained engineer and personal friend of Mr Gorbachev, will make the Moscow trip in spring.

The official Soviet news agency TASS said in Moscow yesterday that aside from bilateral issues, Mr Rogachev's visit would deal with the Cambodian problem.

He will discuss in particular an Australian proposal that Cambodia should be put under a UN administration pending elections, the spokesman said.

Today and tomorrow, Mr Rogachev is expected to hold talks with the Chinese Foreign Minister, Mr Qian Qichen and Mr Li.

Trade Arbitration Delegation Ends Visit

*OW1001004990 Beijing XINHUA in English
1032 GMT 9 Jan 90*

[Text] Beijing, January 9 (XINHUA)—A Soviet trade arbitration delegation headed by I.I. Gaydayenko, vice president of the U.S.S.R. Chamber of Commerce and Industry, left here today after its five-day visit to China.

At a symposium, the three members of the delegation briefed 100 Chinese scholars, lawyers and business people about foreign trade reforms in the Soviet Union and the changing roles of the Soviet Chamber of Commerce and Industry.

Officials from the China Council for the Promotion of International Trade and the China International Economic and Trade Arbitration Commission discussed with the visitors possible expansion of co-operation in bilateral trade arbitration.

An official of the China Council for the Promotion of International Trade said trade disputes between the two countries were resolved in the past through consultations. However, arbitration will be an inevitable means of settling future disputes, which will increase with the volume of bilateral trade.

Sino-Soviet trade totalled 3.475 billion U.S. dollars in the 11 months to last November. China's exports were 1.582 billion U.S. dollars, up 20.86 percent on the figure for the same period of 1988. China's imports grew by 32.53 percent to reach 1.893 billion U.S. dollars.

Northeast Asia

Japanese Ambassador Visits Tianjin 16 Dec

*SK0901235990 Tianjin TIANJIN RIBAO in Chinese
17 Dec 89 p 1*

[Text] Municipal Mayor Nie Bichu met with Suru Hashimoto, Japanese ambassador to China, and his party at the reception hall of the municipal government on the afternoon of 16 December. The guests and the host held cordial and friendly talks.

Both the guests and the host reviewed the cooperation between Tianjin and Japan in the past few years, and unanimously pledged to make efforts to further develop the cooperation and exchanges between Tianjin and Japan. Geng Jianhua, deputy director of the foreign affairs office of the municipal government, was present at the meeting.

On the same day, Ambassador Suru Hashimoto and his party also visited a project cooperatively developed by the Chinese and Japanese governments, the Tianjin enterprise management training center, and visited the Japanese experts working there. They expressed satisfaction with the work of the center.

Japanese Banks To Resume Lending

*OW1001015290 Beijing XINHUA in English
1527 GMT 9 Jan 90*

[Text] Tokyo, January 9 (XINHUA)—Kuniji Miyazaki, head of the Federation of Bankers Associations of Japan, said here today that they will resume new lending to China next month, adding that "the environment is becoming increasingly favourable".

Miyazaki told a press conference that his federation, which represents major commercial and trust banks in Japan, will send a delegation to China from March 1 to 8 to discuss with bank officials the country's market-opening policy and economic conditions.

TV Series for DPRK Viewers Begins Airing

*OW1001020490 Beijing XINHUA in English
1542 GMT 9 Jan 90*

[Text] Pyongyang, January 9 (XINHUA)—The Chinese TV series "Zhuge Liang" crossed the border to begin showing in the Democratic People's Republic of Korea from the beginning of this month. It follows the screenings in the republic last year of the "Dream of Red Mansions" and "Li Xin and Hong Niangzi" series as part of cultural exchanges between the two countries.

Zhuge Liang, was a statesman and strategist in the period of the Three Kingdoms (A.D. 220-265), who became a symbol of resourcefulness and wisdom in Chinese folklore.

Near East & South Asia

Ni Zhifu Meets Sri Lanka Workers' Delegation

*OW0901054890 Beijing XINHUA in English
1200 GMT 8 Jan 90*

[Text] Beijing, January 8 (XINHUA)—Ni Zhifu, vice-chairman of the Standing Committee of China's National People's Congress, met here this evening with a Sri Lanka delegation headed by M. S. Sellasamy, general secretary of the Ceylon Workers' Congress.

After the meeting, Ni, who is also president of the All-China Federation of Trade Unions (ACFTU), hosted a dinner in honor of the visitors, who arrived here January 6 at the ACFTU's invitation.

This morning, ACFTU's vice-president Wang Houde held talks with the delegation. The two sides exchanged experience in trade union work.

They also discussed further development of friendly relations between the trade unions of the two countries.

The visitors are scheduled to tour provinces and cities in south China.

Sub-Saharan Africa

Tanzania To Expand Joint Ventures

OW0901015190 Beijing XINHUA in English
0115 GMT 9 Jan 90

[Text] Dar es Salaam, January 8 (XINHUA)—Chairman of the ruling Tanzanian Revolutionary Party Julius Nyerere said here today that his country will further develop its political and economic relations with China.

Mr. Nyerere told the out-going Chinese ambassador to Tanzania, Liu Qingyou, that his recent visit to China is very successful and he is very much interested in China's open-door policy and its foreign investment policy in particular.

The party chairman said his country will study the experiences of China in the establishment of the special economic zones such as Shenzhen.

He said Tanzania is also interested in the establishment of joint ventures with foreign countries to speed up its economic recovery process. He said the Government of Tanzania will do its utmost to further develop the existing joint ventures with China.

The two countries now have some joint ventures in shipping, timber and agricultural tools production.

Wu Xueqian Meets Mauritian Visitors

OW1001014890 Beijing XINHUA in English 1234 GMT
9 Jan 90

[Text] Beijing, January 9 (XINHUA)—Wu Xueqian, member of the Political Bureau of the Chinese Communist Party (CPC) Central Committee and vice premier, met and hosted a dinner for a delegation from the Socialist Militant Movement (MSM) of Mauritius here today.

Headed by Mahyendra Utchanah, member of the Political Bureau of the MSM and minister of Energy, Water Resources and Telecommunications, the delegation is here on a visit to China at the invitation of the CPC.

Equatorial Guinea Delegation Visits Tianjin

SK0901233590 Tianjin TIANJIN RIBAO in Chinese
14 Dec 89 p 1

[Text] On the morning of 13 December, Liu Jinfeng, deputy secretary of the municipal party committee, cordially received the Democratic Party delegation of the Republic of Equatorial Guinea, which is headed by

(Huan Mitcham Engsui Envomu), political and administrative secretary of the Democratic Party Central Committee and secretary of the party's financial committee.

During the reception, both host and the guests held a friendly talk. Liu Jinfeng delivered a speech in which he extended a welcome to the visiting guests from Guinea and informed the guests of the municipality's development scored over the past few years.

Attending the reception were Li Jianguo, secretary general of the municipal party committee; and Geng Jianhua, director of the municipal foreign affairs office.

East Europe

Leaders No Longer Called 'Comrades'

OW0801152190 Taipei CNA in English
1130 GMT 8 Jan 89

[Text] Tokyo, Jan. 8 (CNA)—The Chinese Communists have recently changed to address leaders of Eastern European countries as "Messrs." Instead of "comrades" amidst Eastern Europe's democratization movement.

A JIJI PRESS dispatch from Peking, quoting a source there, said Monday that the decision for the change was announced in a meeting last Dec. 20 in Peking.

Red China claimed that East European leaders, who have renounced communism, are no longer its "comrades," JIJI quoted the source as saying.

Romanian, Chinese Secret Services Compared

HK1001021990 Hong Kong TANG TAI No 7
in Chinese 6 Jan 90 pp 6, 7, 47

[Article by He Po-shih (0149 0130 2457): "Secret Service Network of the CPC"]

[Text] Despite the powerful security police, the Securitate, behind him, Nicolae Ceausescu, the imposing dictator of Romania, inevitably met with his doom. Security police, it can be said, are the "common special products" of all communist countries. They rely on these forces to control people, gag public opinion, create tension so that their people will live in a constant state of anxiety and will not engage in subversive activities. This is an ignominious symbol in democratic society, so we must expose and criticize their inhumane acts. After putting in a lot of effort, this magazine got to know something about the security police and information work in some communist countries from an insider. We refer to him as Mr A in this report in line with his wishes.

Mr A mainly dwelled on the relevant situation in Romania and China. He said that no matter whether they call it "security police," "ministry of state security," or "information bureau," the main responsibility of information departments in communist countries is to deal with subversive activities against their governments by foreigners or local people (and their secondary task is

to gather information about foreign countries abroad). Take China and Romania for example. Their Ministry of State Security (as it is called in China) and security police forces mainly fall into two major categories: The main responsibility of the first group is to deal with local people, while the second foreigners. But the number of the people in the first group is several times that of the second group. In China, the number of cadres in the first group is 5 times that of the second group. The case with Romania is surprising—their security police number 700,000, actually accounting for 6 percent of the whole population, and the responsibility of most of them is to deal with local people. This is really hard to imagine. Again, the number 700,000 is exactly 4.5 times that of the army of the whole country.

Romania's "Father of Conspiracy" and the "Merciless"

Mr A said: Romania's security police were under the Ministry of Internal Affairs, and were divided into two major groups: Information department and action department (namely, armed forces). Of the armed forces, there was a 1,500-member detachment especially responsible for protecting Ceausescu and his family members. The detachment was in fact their palace guard, as was the case with China's imperial houses in the past. Chief of the security police, the Securitate, General Iulian Vlad, who was also responsible for state security, was called "father of conspiracy" within the police. He is adept at scheming. He also said that his capability to concoct a scheme was "bestowed on him by God," and it is difficult for ordinary people to learn it. He announced over the radio after he was arrested on the 23d of last month, that he is opposed to Ceausescu. Nobody knows whether he spoke from the bottom of his heart or it was stalling tactics. The deputy chief of the security police Major Bokaluo Siku [0950 0595 5012 2448 1655] is famous for his mercilessness. He was responsible for the transfer of personnel and he held such sway that "those who obeyed him flourished and those who crossed him were doomed." He was promoted to this position 1 and ½ years ago.

China's information organ is also a closely knit organization. Mr A said that outwardly the information work is under the charge of the State Council Ministry of State Security, and the incumbent minister is Jia Chunwang, but the real power is in the hands of the CPC Central Committee Political Bureau, and the specific responsible member is Qiao Shi. Qiao Shi is currently secretary of the Central Commission of Political Science and Law, taking charge of the work in respect to politics and law; president of the Central Party School exercising taking charge of personnel matters related to newly emerging force; and leader of the party-building group within the CPC enjoying the power of suppressing other people. He holds vital power in his hands; the Central Commission of Political Science and Law works out policies under his direction; the Ministry of State Security is an organization responsible for implementing policies laid down by the Central Committee. The Offices 8 and 9 under the Central Guards Bureau are responsible for safety of

leading members of the central authorities. The security personnel that accompany leading members of the central authorities on visits at home and abroad are sent by these two offices (this is different from Romania, where the Securitate was also responsible for the safety of the central authorities). The military will play a supporting role for security work if many leading members of the central authorities are present. Since the 8341 armed unit was disbanded, the task has been undertaken by the garrison force of the Beijing Garrison Command.

According to its statement, the work of the Ministry of State Security includes the following:

"Safeguarding the security of the country, exercising the function of the people democratic dictatorship, and safeguarding and promoting the socialist modernization and reunification of the motherland." But in reality it plays the role of restricting people's freedom.

Mr A said that the CPC spends much more money on equipment for collecting intelligence than on other items. He said that the facilities and instruments for collecting and stealing other people's secret information available to the Ministry of State Security are so advanced that they are only inferior to those at the disposal of the Commission of Science, Technology and Industry for National Defence, and the military.

Telexed Documents Can Be Stolen

As is known to all, bugging or tapping is a usual practice in China, any conversation over the telephone by major institutions or foreign calls is likely to be tapped. In addition, telexed documents can be stolen from the telephone line. According to Mr A: The telex device operates this way: A telex machine changes lines of the writing into pulses, the pulses are later transmitted to the receiving telex machine through a telephone line, and the receiving telex machine then rechanges the pulses into symbols which are "written on" a piece of paper. As the telexed documents have to go through the telephone line, it is possible to steal the pulses of the telexed documents and then translate them into writing again by connecting the telephone line to a third telex machine.

Mr A said that in China the first rate guest houses or hotels are usually equipped with bugging devices, because those who stay in first-class hotels are usually big wigs who need to be supervised. The bugging device is not only hidden in the telephone set, but also in the room. He said: Take for example a China-funded hotel which usually receives distinguished guests—there is special equipment on the 3d floor of the hotel.

The Journalist Turns Out To Be the Vice Minister of the State Security Ministry

Mr A said he could not tell how many people there were in the entire state security system. In fact, even the personnel ministry which handles the systems of civil servants does not know exactly how many, either. According to conventions, the names of major leaders (at

least vice ministers and above) of the organizations under the State Council must be made known to the public. Actually China does this under normal circumstances, except in the case of the State Security Ministry. When we carefully examine the name list of leaders of state organizations published by the State Council, we will find that China has only published the name of the Minister of the State Security Ministry Jia Chunwang while they keep completely secret the names of all vice ministers. These vice ministers, nonetheless, must also make frequent contacts with the outside, and, especially, with foreigners, therefore it is not convenient to make known their identities. When Mr A worked in Europe he got to know a Chinese journalist. After he got back home, he was surprised to discover that this person had become the vice minister of the State Security Ministry.

Mr A said: In the past, the personnel sent abroad (including Hong Kong and Macao) by the State Security Ministry were mostly those from the media. Since China was not yet open to the outside world at that time, journalists had the most convenient identity. Mr A told us some incredible but real "jokes." The director of the international section of a certain paper in China suddenly received news sent by a "journalist" of the paper from the United States, he felt very perplexed because he never knew that such a journalist had been sent there. When he inquired to the general editor about this, he also said: "This is true. But I have never seen this person." All of a sudden, the director came to know that this journalist was definitely a worker sent by the State Security Ministry. The general editor only discovered afterwards that his paper had a new "journalist abroad." This really makes one seem foolish. As China was gradually opening its door, personnel of the State Security Ministry began to use other identities (such as businessmen, scholars etc.) in other countries. Since "the 4 June Incident" most of them have disguised themselves as scholars in other countries. Besides sending personnel overseas and collecting information, the State Security Ministry also send their "spies" to the foreign establishments and enterprises with foreign investment (including joint ventures) set up in China. Let us take Beijing as an example: Places frequently visited by foreigners, such as bars, restaurants, and establishments set up in China, are basically penetrated by personnel of the State Security Ministry who use different identities as workers at various levels. They are not paid by the units they work at but by the State Security Ministry.

An Organ Set Up in Changpin County for Interrogation and Detention

As for the personnel sent by the State Security Ministry to the units in China to supervise the activities of the masses, it is very difficult for us to calculate their number. Their link with their superiors is usually one-way. Personnel of the State Security Ministry working in the same unit do not even know each other. They report to their superiors once a week. Mr A said: It can be said that almost every unit has personnel sent by the State

Security Ministry. They are mainly placed in administration departments handling personnel files or in the departments which frequently contact other departments. In addition, the State Security Ministry does not always send its personnel into a unit because sometimes it also recruits personnel from among the presently employed workers at the unit.

Judging from many aspects, the State Security Ministry consumes most manpower, and financial and material resources. Moreover, the negative effects it produces are far more than its positive effects. This indirectly leaves room for them to criticize people, thus greatly threatening the life and security of the people.

Mr A also said: Many people know that the headquarters of the State Security Ministry is located in Dongchanganjie near the Tiananmen Square, but most of its specific jobs are not done here but in Changpin county in the suburbs of Beijing. Interrogation and investigation of their "prey" are conducted here. Those they have detained and interrogated are imprisoned here.

The sudden change in Romania has made known to the world the Romanian underground tunnels. Mr A said: It seems that Communist countries have an aptitude for building underground tunnels and underground cities. From the underground-paths in wartime in the past, to those dug to meet the demand of secret service personnel and the pleasure of leaders after they obtained the state power, they have learned that underground tunnels and underground cities are important. When quoting China as an example, Mr A said: In those days, under the appeal of "Dig Tunnels Deep, Store Grain Everywhere, and Never Seek Hegemony," the CPC mobilized large numbers of people to build underground tunnels all over the country. Since there were no wars in the ensuing years, most of these tunnels caved in because they were seldom used and maintained. However, the CPC still use some of them, which have been well maintained and are suitable for military purposes. For example, the underground tunnels in Beijing, which are still frequently used, have a total length of 130 km. During the 4 June Incident, some troops secretly came into the city through these tunnels and concealed themselves in the underground paths waiting for commands.

Huge Expense For The Construction of the Underground Tunnels in Zhongnanhai

Mr A said: Underground tunnels and underground cities are found in many important buildings in Beijing. In addition to their military use, these underground tunnels and cities were primarily built for the enjoyment of leaders, or for them to live normally while they take refuge in them. Therefore, the facilities in underground cities are by no means any more backward than those on the ground. The underground city under Zhongnanhai, for example (perhaps many people do not know that there is another world down under Zhongnanhai,) entailed six times the cost for the construction of the Great Hall of the People. It has everything. Moreover its

underground tunnels are connected with other tunnel systems leading to the ground in the outskirts of the city, which are connected with highways leading to the airport. This makes it possible for leaders to escape when there is such a need. The houses of many top leaders also have underground tunnels, most of which were built during the period of Lin Biao. Lin Biao was very skeptical about people. His house (including the inner and outer gardens) also has an underground tunnel. The first floor of his house in Maojiawang, Beijing, where he once lived, were fitted with windows made from doubly toughened glass and wire netting. The underground tunnel of this house leads to many places. The "official garden" which was built for Mao Zedong and Jiang Qing in those days (which is now used as the garden for the China's Children Fund Association) also has cellars and underground tunnels. When the "Gang of Four" were arrested, they were detained there for some time.

There is Also an Underground Tunnel Under Xi Hu

Mr A is very familiar with how the CPC has worked out the plan for underground tunnels. He used the underground city in Hangzhou as an example (very few people have learned of it). In Xi Hu, which everyone knows about, there is an underground city exactly under it. Why did they choose the site under Xi Hu? Because when it was built, it happened to be in the period of the Vietnam War. During this time, the Chinese leaders knew that the worst American missiles could hit 19 feet deep under the ground, and they found that the average water level of Xi Hu was precisely 6 meters (approximately 18 feet) so it would be safe for them to stay there when they were attacked with missiles. Even when the missiles came, their impulsive force would be reduced by the resistance of the water in Xi Hu. This kind of design can be said to

have been extremely carefully worked out. In the underground city, there are conference rooms, cinemas, ballrooms as well as ordinary daily necessities. Mr A said that he forgot how much the construction cost exactly was, but he remembered that the cost was exactly the total for the public facilities in Hangzhou for that year.

Mr A said: The underground engineering technology of North Korea is also excellent. For example, in those days, they intended to dig a tunnel in Pyongyang which would ultimately lead to Seoul. No one knew that the tunnel had passed the 38th Parallel. When it was discovered, the farthest end of the tunnel had already reached the territory of South Korea. Communist countries always use these underground tunnels to carry out their underground activities and control their people in critical times.

Mr A told the press how communist countries recruit intelligence personnel. He also used China and Romania as examples and pointed out that these countries basically use the same method to choose intelligence personnel. The most common way is this: They choose the "talented" of the simplest young people or even children, and start teaching them about loyalty when they are still young. Since they are young and innocent, they are just like a sheet of white paper on which you can add any color. These people owe a special kind of "loyalty" to the party that ordinary people do not have. They are willing to "lay down their lives" for "a good cause" should there be such a need. In Romania, for example, they would train children living in orphanages. Many of the security police at medium levels are of this kind. They not only have been ideologically influenced but also have received the favor of being brought up. Therefore, it is less probable for them to rebel.

Political & Social

State Council Orders Martial Law Lifted

'Circular' for Senior Cadres

HK1001032890 Hong Kong WEN WEI PO
in Chinese 10 Jan 90 p 2

[Text] Beijing, 9 Jan—The CPC Central Committee and the State Council have decided to lift martial law in parts of Beijing within a few days. The relevant document has been disseminated among senior cadres in provinces, cities, and autonomous regions throughout the country.

According to an informed source, this document, issued in the form of a "circular," points out that the CPC Central Committee and the State Council made this decision after cautiously appraising the domestic situation. Martial law was imposed on parts of Beijing on 20 May last year, and it has been over 7 months now since then.

The circular points out that the situation in Beijing and the rest of the country has remained stable since the counterrevolutionary rebellion was put down in June last year. Now the martial law enforcement task has been successfully completed. Therefore martial law in parts of Beijing will be lifted soon. The informed source revealed that the circular does not provide the exact date of the lifting martial law. But judging from the responses to the dissemination of the circular, it is believed that the decision will be put into effect within several days.

The circular points out that it was completely correct and necessary to declare martial law in parts of Beijing between the spring and summer of last year. The martial law decree played an important, historic role in crushing the attempt of hostile elements and anti-socialists to sabotage China's socialist system and overthrow the party leadership and proletarian dictatorship. Now the conditions for lifting martial law are ripe, and this indicates that the situation in China is stable and that top leaders of the party and the state have confidence and ability to march on along the socialist road. Apart from this, lifting martial law will have an important bearing on stabilizing the masses' confidence.

We should be aware that there are still unstable factors in the country, the circular points out. Leaders at all levels should do a good job in their work and should not lower their guard.

The circular also says after martial law is lifted there will be all kinds of responses. With regard to these responses, our principle is that we will not interfere in the internal affairs of others, nor will we allow others to interfere in our internal affairs.

Li Peng Speech

OW1001123190 Beijing XINHUA in English
1136 GMT 10 Jan 90

[*"Premier Li Peng's Televised Speech on Lifting Martial Law in Beijing"*—XINHUA headline]

[Text] Beijing, January 10 (XINHUA)—Li Peng, premier of the State Council, made a speech on China's Central Television Station at 19:00 today on lifting the martial law imposed in parts of Beijing. Following is the full text of his speech:

Comrades and compatriots, I am here tonight making an important announcement: The State Council has issued an order on lifting as of January 11, 1990, the martial law imposed in parts of Beijing.

This is a big event of concern to the people of the capital and the whole country. The lifting of the martial law imposed in parts of Beijing indicates that the situation in the capital and the country as a whole has become stable, social order has returned to normal, and a great victory has been won in checking the turmoil and quelling the counter-revolutionary rebellion.

This fact shows once again to the whole country and the whole world that the Chinese Communist Party, the Chinese Government, and the Chinese people are capable of running their own affairs well and maintaining a long-term stable political, economic and social development. No matter what may happen in the world, we shall unwaveringly follow the socialist road!

Only by making a comparison can one see the difference. We all remember what it was like before martial law was imposed in parts of Beijing. At that time, school classes were suspended, traffic disrupted, workers blocked on their way to work, order of production and life severely damaged, and the capital in a state of anarchy. A small number of bad elements sped up activities to overthrow the people's government and subvert the state. The broad masses of people were very anxious and worried about the future and the destiny of the country. In those circumstances, had the government not taken the resolute measure of imposing martial law and stopping the turmoil and riots in time, the fruits of revolution earned by several generations through protracted struggle, the achievements made in the four decades of socialist construction and in the decade-long reform and opening to the outside world would have been destroyed, our country would have been split up and hundreds of millions of people would have again fallen into the abyss of misery.

Developments of the situation in the past seven months or so since the imposition of martial law have shown that our country is stable politically, economically and socially, production and life are in good order, commodity supplies are sufficient, and people live and work in peace and contentment. All this is in sharp contrast to the chaotic situation at that time. Facts show with

increasing authority that the decision of imposing martial law on parts of Beijing was timely, necessary, and correct. That decision has played an extremely important historic role in stabilizing the situation in the capital and the country as a whole.

The officers and men of the martial law enforcement units of the People's Liberation Army, and vast numbers of the cadres and men of the police and the Armed Police have resolutely carried out the decision of the party Central Committee, the State Council and the Central Military Commission and performed immortal historic feats in maintaining order and security in the capital, and in defending the Communist Party leadership and the socialist system. For this, the people will never forget them. On behalf of the party Central Committee and the State Council, I express heartfelt gratitude to the heroic guardians of the People's Republic. The imposition of martial law in parts of Beijing won support and backing from vast numbers of workers, peasants, intellectuals, students, cadres at all levels and urban residents in the capital as well as from the people of all nationalities in the country. During the martial law period, there were lots of moving deeds in which troops loved civilians, civilians supported troops, disregarding their own safety and fighting in unity. On behalf of the party Central Committee and the State Council, I hereby express heartfelt gratitude to the people of all nationalities in the capital and the whole country.

Taking this opportunity, I would also extend sincere thanks to all our overseas compatriots, Overseas Chinese, foreign friends, governments and people of other countries who expressed understanding and support for the measures taken by our government in a bid to stabilize the situation!

The stability of the country and society represents the general trend and the popular wishes as well as the common desire of the people of all nationalities in the country. Our country is concentrating on the socialist modernization and economic construction and the current central task is to improve the economic environment and straighten out the economic order and deepen the reform. This calls for a favorable and stable social and political environment. Otherwise, nothing can be accomplished. Past experience, if not forgotten, is a guide for the future. We must learn from historical experience and lessons, cherish the country's stability in the same way as we protect our own eyes, and consolidate and develop the political situation characterized by stability and unity.

We have made tremendous achievements in reform and opening to the outside world over the past decade. Practice shows that the principle for reform and opening to the outside world is absolutely correct and it will remain unchanged because it has rooted in China's soil and in the hearts of the people.

We shall continue to promote friendly relations with all countries in the world on the basis of the Five Principles

Of Peaceful Coexistence and expand economic and technical cooperation with all countries in the world on the basis of equality and mutual benefit.

We shall, as always, work with the people of all countries in the world for peace and development in the world, and for the progress of the mankind.

At present, some unstable factors still exist in our society. The hostile forces in and outside the country will not give up their attempt to subvert the socialist system in our country. There are some temporary difficulties our country needs to overcome in improving the national economy. We must have a sober understanding of this. The masses of the people are the source of our strength and foundation of our victory. Party committees, governments and cadres at all levels must implement the party's basic line more steadfastly, carry out conscientiously the guidelines of the Fourth and Fifth Plenary Sessions of the 13th Chinese Communist Party Central Committee, go down to grass-roots units and among the masses to listen to their views, be concerned about their well-being and do everything well in a down-to-earth manner.

It is our conviction that no matter how the international situation changes, our people will, under the leadership of the Chinese Communist Party, steadily push ahead the great cause of building socialism with Chinese characteristics.

Comrades and compatriots, the Spring Festival is approaching. On behalf of the party Central Committee and the State Council, I wish you a merry festival, happy family reunion and good luck.

RENMIN RIBAO Editorial

*OW1001130790 Beijing XINHUA Domestic Service
in Chinese 1118 GMT 10 Jan 90*

[RENMIN RIBAO 11 Jan editorial: "An Important Indicator of Stability in China"]

[Text] Beijing, 10 Jan (XINHUA)—Premier Li Peng has signed a State Council order and made a televised speech, announcing that beginning 11 January, the martial law enforced in part of Beijing Municipality would be lifted. This is an important indicator of stability in China.

Last year, when spring was changing into summer, a political storm rose in Beijing. The capital was in anarchy. In order to resolutely stop turmoil, safeguard Beijing Municipality's social tranquility, protect citizens' lives and property, and maintain the central state organizations' and the municipal government's performing normal official business, the State Council, in accordance with the stipulations under Item 16 of Article 89 of the Constitution of the People's Republic of China, issued an order that martial law be enforced in part of Beijing Municipality, beginning at 1000 on 20 May 1989.

Our practical experience over the past 7 months and more proves that this order of the State Council's was necessary and correct. Martial law rapidly and effectively stopped the turmoil and the counterrevolutionary rebellion which occurred in Beijing. It not only safeguarded Beijing's peace, but also defended the PRC's security. It added a shining chapter to the history of the republic.

While carrying out the task, the martial law enforcement troops of the PLA, facing a stern situation and shouldering the historic mission entrusted to them by the party and the state, endured humiliation and colorfully fulfilled the task with public security cadres, policemen, and Armed Police units, thus rendering immortal service to the party and the people. The test of this bloody and fiery, sharp, and complicated struggle once again proves that the Chinese PLA deserves to be called the Armed Forces led by the Communist Party, the staunch keystone of the people's democratic dictatorship, and the Chinese people's own army. Our party is proud of having this heroic army, which is the Chinese people's glory and the Chinese nation's well-being. "Without a people's army the people have nothing." With such a people's army, the country's stability and the people's tranquility are reliably protected.

The martial law enforcement troops of the Chinese People's Liberation Army appear before the people of Beijing Municipality as a mighty, well-disciplined, and victorious force, and are supported by the broad masses of the people in the capital. During the martial law period, the moving deeds of soldiers cherishing the people, the people supporting the soldiers, and joint Army-police-people efforts to keep public order have emerged one after another. Since this great struggle to defend the party, socialism, and the people's fundamental interest, the Army's prestige has been further enhanced in the eyes of the people, and the close friendship between the Army and the people has been further strengthened. "When the Army and the people are united as one, who in the world can match them?" The Army-people unity is an extremely important factor for defeating any enemy.

Now, the public order in Beijing has been completely restored to normalcy and the martial law has fulfilled its historical mission. On the occasion of the lifting of the martial law, let us give our cordial regards to the officers and men of the martial law enforcement units: Comrades, you have been working hard. We thank you wholeheartedly and forever.

The lifting of the martial law does not mean peace and tranquility across the land. International reactionary forces are bent on subjugating our country. A handful of stubborn bourgeois liberalists at home are not reconciled to their defeat. After our victory in curbing the turmoil and quelling the counterrevolutionary rebellion and the lifting of the martial law, we must not lose our vigilance. We should carry out a thoroughgoing education and struggle in opposing bourgeois liberalization. We should

carry out a thoroughgoing education in patriotism, collectivism, and socialism among the broad masses. We should deal a timely and forceful blow at the sabotage by hostile forces, and those who violate the law should be sternly dealt with according to law.

While our country is concentrating on socialist modernization, we need a stable environment. Without a stable environment, nothing can be achieved. Stability is more important than all else. Whoever loves the motherland and hopes for its prosperity should protect the unity in the country and the stability in the society, just as he protects his own life, and should never do anything detrimental to stability and unity.

To serve the people is the fundamental purpose of the Communist Party of China. Everything done by our party is in the interest of the Chinese people. At present, China has political, economic, and social stability, but it also has some difficulties. Facing the difficulties, it is even more necessary for us to unite as one and struggle hard. Leading cadres at all levels should go deep among the masses to explain clearly the current situation, policies, difficulties, and the ways to overcome the difficulties, and to inspire and strengthen people's confidence in overcoming the difficulties. At the same time, leading cadres should listen modestly to the masses' criticism and opinion; know the masses' feelings and demands; make improvement in their own work on the basis of the masses' criticism, opinion, feelings, and demands; and form closer ties with the masses. The masses of people are the source of our strength. As long as our party keeps the closest ties with the great majority of the masses, no enemy nor difficulty can overwhelm us, and they can only be defeated by us.

Deng Warns Against Criticism of 13th Congress

HK0901151190 Hong Kong CHING PAO in Chinese
No 150, 10 Jan 90 pp 48-51

[Article by Chang Mu (1728 3092): "Deng Xiaoping Warns Against Criticism of the 13th CPC National Congress, and that the 'Guardian' Style Must Not Be Institutionalized"]

[Text]Deng Xiaoping has recently stated his hope to live beyond the 20th century and to witness the realization of the "quadrupling."

Deng Xiaoping has warned that the report of the "13th National Congress" concerns more than Zhao Ziyang; there can be criticism of individual viewpoints, but not of the "13th National Congress" as a whole.

Deng has announced: In the past, the Central Committee entrusted me with the role of guardian of the party Central Committee and its Standing Committee; as this method does not seem to be working, under no circumstances will it be institutionalized.

Deng stressed that the Central Committee must have a leadership collective boasting an image of reform and

opening up. If there is no reform and opening up, and if everything is done according to the same old style, we will certainly be unable to reach our strategic targets.

The CPC has stressed that it must fulfill the following four targets this year: Inflation must be lower than last year, and the financial deficit, credit scale, and money issuance must all be kept lower than last year.

Deng Is Expecting Longevity For the Sake of Stabilizing the Political Situation

With the coming of the first spring of the 1990's, where is China heading? What are the prospects for the CPC after 40 years in power? Will there be any breakthroughs in political and economic reforms and opening up to the outside world?

According to Deng Xiaoping's construction "trilogy," in the last decade of this century Mainland China will fulfill the goal of "quadrupling" national income, that is \$800 to \$1,000 in terms of per-capita income—this is called the second step, which, in Deng Xiaoping's opinion, is the most difficult as well as the key step. If it is achieved the third step will be much easier. People may still remember that Deng Xiaoping has expressed his hope of wanting to live to see the return of Hong Kong in 1997, and at that time he will visit Hong Kong in the capacity of an ordinary citizen. **This time Deng is even hoping that he may live to see the realization of "quadrupling."** It seems that he is fairly confident about his health. The motive behind this expectation of living beyond the 20th century is obviously the intention of maintaining the existing political pattern, ensuring that the leadership core of the third generation—personally chosen by himself—will continue his line, and hence gradually building the decisionmaking authority of the leadership core.

The Emphasis on Building a Reformist Image

The thing that most worried Deng in this round of reshuffling of the CPC leading core was the possible negation of the achievements of reform by outdated, conservative thinking. This is why Deng has laid particular emphasis on the need for China to have a leadership collective with a reformist image and one of opening up to the outside world. Deng believes that only with such an image can China entertain any hope. If things are done according to the old style, our strategic goals will never be reached. Without some experiments or trials, including even trials that result in defeats and frustrations, and moreover if we continue to observe time-honored rules and repeat the old rut, we can never reach our targets. Please pay particular attention to this point. We must not abandon reform or opening up.

One of the comments on China's political situation is that the highest-level reshuffle was not based on the contributions to "the crackdown on the rebellion" and did not "distribute rewards according to deeds" or award promotions to the level of the central leading core. The reason has obviously to do with Deng's consideration mentioned above.

So Far There Have Been No New Reformist Measures

Jiang Zemin replaced Zhao Ziyang nearly six months ago. **Deng commented: Concerning the men we chose at the plenary session and the activities of the new leading group in the recent period, it seems that the response within and outside the country has been calm and the feeling is that the decision has proved sound; there have not been cynical remarks.** Here lies the key to Deng's determination to "completely retire" from the scene.

Deng Xiaoping has repeatedly emphasized staging new attempts at reform. On the one hand, this is to safeguard the decade-old established policy direction, and on the other, it is an expression of his hope that the new leading group can build a reformist image in the quickest possible time. Perhaps because it has been busy stabilizing the situation, and screening and rectifying party and government organs, groups, or companies, the Jiang Zemin system, which has advocated "reforming in a cautious manner," has yet to produce new reformist measures.

Earlier, when theoretical circles were criticizing "liberalized" thinking, there was quite a bit of controversy. Some charged the articles with lacking a probing and consultative attitude, saying that these articles did not convince with the force of reason but tried to pin "labels" on people; while some articles questioned and criticized some of the viewpoints in the political report of the "13th National Congress." The director of the Chinese Academy of Sciences said at a recent meeting that since the founding of the country, the dismissal of Ma Yinchu's new population theory, Morgan's genetic theory, and Pauling's resonance vibration theory as idealism has already done serious damage to science and technology and social and economic development. He said that this lesson should be remembered well and that we should respect intellectuals and talent; that academic questions should be left to scientists, for truth and consensus are achieved through academic debate; and that political slogans cannot replace academic debate and administrative intervention should be avoided.

Deng Reiterated That There Can Be No Criticism of the 13th National Congress

Deng Xiaoping has warned: The report of the "13th National Congress" does not concern Zhao Ziyang alone. One center and two basic points has always been mentioned since the 3d Plenary Session of the 11th CPC Central Committee. These reform and opening up policies should never be challenged lightly. I, for one do not see any problem with the two statements in the "13th National Congress" report: "The state regulates and controls the market, while the market guides the enterprises." Some phrases are not appropriate or are even erroneous—we will not then talk about them; for a time they can be left aside. There are now some criticisms of some viewpoints, but there cannot be criticism of the "13th National Congress."

Now Is Not the Best Time for Deng To Retire

It may be said that, with the sharpened international and domestic contradictions and severe political and economic situations in the wake of the 4 June disturbance, the time chosen by Deng Xiaoping to "completely retire from the scene" is not the best one. However, as **Deng Xiaoping has remarked before: There is no such thing as waiting for a suitable opportunity to retire, for there is no suitable opportunity: On every occasion there would be some factor preventing retirement. The "13th National Congress" made me "half retire." But I have always thought that it would have been best if I had retired completely then.**

People had been worried that Yang Shangkun would take over Deng's chairmanship of the Central Military Commission. But once the results of the CPC "fifth plenary session" were announced, some people then saw this as a distribution of power and benefits, and that the result of this distribution is a vast expansion of Yang Shangkun's powers and functions in the Army.

Why Has Yang Shangkun Not Retired

What was the truth? According to informed sources: **Deng Xiaoping personally drew up a namelist for the new Central Military Commission, which was adopted by the "fifth plenary session" following discussion.** Deng said the Army is to be led by the party, that it should be an army under party leadership, and from here it was only reasonable that the general secretary take over the chairmanship of the Military Commission. On the other hand, if Yang Shangkun, who is about the same age as Deng, had taken over the chairmanship, then Deng's "retirement" would not have had much significance. Yang Shangkun is even 1 year older than Li Xiannian and, though still strong in body and mind, is, after all, an old man. The fact that Yang Shangkun did not retire from the present Military Commission composition was due to Deng's consideration of the importance of stabilizing the Army and the possible ill-effects of too drastic a reshuffle. Moreover, Yang Shangkun had the task of handing over the practical work and leading powers to Jiang Zemin. At present Vice Chairman of the Military Commission Liu Huqing and General Secretary Yang Baibing are responsible for day-to-day affairs. According to sources, when Yang Baibing was named, Yang Shangkun was against the nomination, but finally Deng Xiaoping convinced Yang and clinched the settlement with the reasoning that "as long as the candidate is capable then there is nothing wrong even if he happens to be a relative."

There is no doubt that one of the important purposes of Deng Xiaoping's complete retirement is to assist the authoritarianism of the third generation of the leadership core. Therefore, he said himself that his "final role is to take the lead to establish a retirement system."

Guidance Cannot Become a System

In 1988, Deng Xiaoping proposed that the authoritarianism of the CPC Central Committee must be strengthened. He thought that Chen Yun's criticism on the situation of "too many dukes discussing but not deciding, or deciding but not executing, and each having its own government" was a correct one. Therefore Deng repeatedly stressed that there should be no sectarianism or cliquism.

In order to let Jiang Zemin and others make their own decisions, **Deng Xiaoping said: In the past, the CPC Central Committee entrusted me with a duty; that is, as they said, the CPC Central Committee or the Standing Committee of the CPC Central Committee needs a guardian, but this formula is not effective and we should not advocate it. No matter what, it cannot become a system. To conclude, from now on I will not interfere in the work of the CPC Central Committee, except with that which concerns me. Let the new Central Committee, and in particular the Political Bureau and the Standing Committee of the Political Bureau, think and work independently according to self-determination; even if it makes mistakes, let it sum up experience itself. The influence of people like us will slowly disappear, and it is better that it does disappear!**

The Mainstay and the New Thinking

It is a matter of fact that Gorbachev's political "new thinking" has promoted the tide of democratic reform not only in the Soviet Union but also in the socialist countries of Eastern Europe. What draws more attention is that it directly leads to the negation of the leading position of the communist party and to the idea of criticizing the socialist system. After Poland had Solidarity controlling political power, Czechoslovakia, Bulgaria, and East Germany have announced the abolition of the one-party dictatorship, and the Communist Party in Hungary has even changed to the Hungarian Socialist Party. This trend is spreading and expanding.

The CPC sent Yao Yilin and Qiao Shi, members of the Standing Committee of the Political Bureau, to visit East Germany, Romania, and Bulgaria with the purpose of increasing understanding and coordinating action. However, since the Berlin Wall was opened, the "East European unrest" has become something that cannot be checked. By the end of 1989, when Ceausescu and his wife were sentenced to death by a court martial of the Romanian Salvation Front, the movement of negating the leadership position of the communist party in the whole of Eastern Europe was almost completed.

In Eastern Europe, this transformation, which once started cannot be reversed, has the open support and encouragement of Gorbachev. Gorbachev once said that the "multiparty system" would not be practiced in the Soviet Union. But at the Second People's Congress recently convened, Boris Yeltsin and others of the opposition party proposed the cancellation of Article 6 of the

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Constitution—the article stipulating the leadership position of the Communist Party. Even though their proposal was vetoed, Gorbachev said that when Lenin was alive, the first Constitution of the Soviet Union did not mention the leadership position of the Bolshevik Party. Therefore, "Article 6" is not something which cannot be discussed, and now the Soviet Union does not plan to rigidly uphold this article, but for the time being the article should not be rashly canceled. As reported, the enlarged meeting of the Central Committee of the CPSU, which will be convened in January, will discuss this problem.

Gorbachev has given an explicit explanation of the famous "new thinking":

"In politics, staunchly follow the principle of freedom of choice; in economy and technology, follow the principle of mutual benefit; in the spiritual and ideological domain, follow the principle of dialogue; and follow the principle of exploring and utilizing all the things that should be explored and utilized as appropriate to one's own conditions and advancement." Gorbachev continued: "The new thinking is a contribution to establishing an order of values for the whole of mankind."

Not only have these words caused objections in the Soviet Union, but they also caused different opinions in other communist countries. Song Ping, member of the Standing Committee of the CPC Political Bureau, said on one occasion that China must prepare to be the mainstay of socialism.

The CPC Has No Intention of Making Gestures

Gorbachev said: "Now the socialist countries have become the focus of world attention. One after another, the socialist countries which have embarked upon the road of basic change have passed the point of no return."

The CPC authorities have watched closely the development of the situation in Eastern Europe with a prudent attitude. At present, those in power admit that there have been some historical changes in the East European countries, including Romania, and say that there are internal as well as external reasons for these changes. Because the situation is changing, it is difficult at present to reach a conclusion. At the same time, they say they respect the choice of the people in the various countries in Eastern Europe; this respect is the way they deal with international relations.

This seems to indicate that the CPC has no intention of making gestures or comments between party and party, or between state and state.

The Period of Attacking Fortifications for Rectification and Improvement

If we say that in the new year the CPC will adopt a new posture in its foreign affairs and struggle for breakthroughs such as resuming relations with Indonesia, then

in its domestic affairs it can be called the period of "attacking fortifications" for rectification and improvement.

In 1989, Mainland China scored a bumper grain harvest surpassing 400 million tons for the second time in history. In November, total industrial output value increased by 1 percent over the same period last year, changing the trend of a slide in the previous 2 months. In the same month, exports through customs increased by 20 percent, while imports decreased by 10 percent; according to estimates, the total volume of imports and exports will again surpass \$100 billion. Although the economic situation is improving, some factors contributing to inflation have not been eradicated, and some deep problems influencing economic stability have not been completely solved. For example, the problem of recession in the market after the curbing of demand, and the total retail amount of social commodities continuing to drop by close to 1 percent in November as a result; the problem of increased unemployment after some capital construction was halted or slowed down; and the problem of the difficulty in invigorating the micro-economy after macrocontrol and macroregulation were strengthened, not to mention the approaching peak period for repaying foreign debts. As reported, the biggest economic difficulty is the financial income of the central authorities.

The Main Task of Rectification and Improvement in 1990 Has Been Fixed

At the national work meeting on planning convened in mid-December, the main task of rectification and improvement in 1990 has been decided as rectifying the economic order and improving economic returns. Regarding agriculture, the task is striving hard to stop the situation of long-term stagnation as soon as possible and struggling for new breakthroughs.

However, the pace of economic arrangement emphasizes stable and coordinated development. The growth rate of gross national product is fixed at 5 percent; comprising 4 percent for agriculture and 6 percent for industry. The estimated deficit of the financial budget has decreased compared with last year. The general price level will be continuously controlled, but because the past measures of raising prices will have an impact on the new year, plus the increases in prices of crude oil and rail transport, the general level of price rises will still hit a double-digit percentage. The emphasis on reducing investment in capital construction rests on adjusting the structure of investment; that is, reducing general investment, but strengthening investment in agriculture, petroleum, coal, and railroads. The key point is to protect the production of state-run large and medium-sized enterprises.

Regarding the contracting system of responsibility linked to production for rural households, the enterprises' contracted responsibility system, the local system of contracted responsibility for finance, the introduction of foreign capital and advanced technologies, the joint

venture enterprises, and the policy on reform and opening up, they will be continued on the basis of perfection.

Four Goals Must Be Achieved This Year

The State Taxation Bureau, which collected 6 billion yuan more in taxes than planned, will further adhere to a strict system of collection and management of taxes this year. It will carry out rectification and improvement in the collection of taxes aimed at false collective enterprises, false school-run enterprises, false civil administration (welfare) enterprises, false "young intellectual" enterprises, and false newly established enterprises. Through perfecting the system of collecting and managing taxes from individual operators, the behavior of evasion of taxes will be resolutely stopped.

To conclude, the arrangement made by the CPC emphasizes four goals: An inflation rate lower than last year's; and a financial deficit, scale of loans, and issuance of currency less than last year's.

Jiang, Others Discuss Party Building

OW2912183089 Beijing XINHUA Domestic Service
in Chinese 1327 GMT 29 Dec 89

[Text] Beijing, 29 Dec (XINHUA)—Jiang Zemin, general secretary of the CPC Central Committee, and Li Peng, Qiao Shi, Yao Yilin, Song Ping and Li Ruihuan, members of the Standing Committee of the Political Bureau, held discussions with the comrades of the party building theoretical research class at the Central Party School this morning. General Secretary Jiang Zemin delivered an important speech on strengthening party building at the meeting. He called on the whole party to fully understand the heavy historical responsibility of the party and said: No matter what changes are taking place in the world, Chinese Communists must take economic construction as their central task, uphold the four cardinal principles, persist in carrying out reform and opening to the outside world, and constantly push forward the socialist cause with Chinese characteristics.

Comrade Song Ping presided over the discussion meeting. Also present at the discussion meeting were Ding Guangen, alternate member of the Political Bureau and member of the Secretariat, and Wen Jiabao, alternate member of the Secretariat. Before this discussion meeting, Jiang Zemin had two other discussions with some members of the party building theoretical research class.

Jiang Zemin pointed out in his speech: Our party and state are in a very crucial period. We should continue to maintain political stability at home, and continue to firmly push forward the cause of socialist modernization. In order to do so, it is necessary to solve a series of complex problems, and the task is extremely arduous.

The struggle against bourgeois liberalization is protracted, and the task in this regard should not be underestimated either. Facing the new domestic and international situation, all the members of our party should work hard together and take further steps to build the CPC into a better party.

Jiang Zemin profoundly analyzed the salient features and strong points of the Communist Party of China. He said: Our party is armed with Marxism-Leninism-Mao Zedong Thought. It has been tempered by a long war and has experienced trials through all sorts of difficulties and hardships. It is a party with a large number of mainstay elements. It is a party that is firmly in control of an army which is loyal to the motherland, to the people, and to socialism, and it is a party that has a strong fighting power. It is a party that serves the people wholeheartedly and keeps close ties with the masses. It is the ruling party in a big country with a population of 1.1 billion. It has strived to develop the economy in last 40 years. Particularly in the last decade, it has taken economic construction as its central task, upheld the four cardinal principles, persisted in carrying out reform and opening to the outside world, and made great achievements in developing the country and improving the people's living standards. It is a party that has gained rich experience in struggling against imperialism and all sorts of opportunism. Our party has a strong fighting power. It displayed once again its invincible strength during the struggle to quell the political disturbance in the late spring and early summer this year, and to frustrate the international reactionary forces' scheme of "peaceful evolution." At the same time, Jiang pointed out: In our party, the problem of impurity of ideology, organization, and work style is also very serious. We must take a Marxist stand in order to view the overall situation at home and abroad, face the reality, understand the future, and fully mobilize and rely on the strength of the whole party to step up party building with a high degree of responsibility and a sense of urgency. We must be strict with party members in all respects, work hard to enhance the party's fighting power in an all-around way, and build an even stronger vanguard of the working class.

On the necessity to uphold the party's character as the vanguard of the working class, Jiang Zemin emphatically pointed out: Since the time of its birth, the Communist Party of China has unequivocally declared itself the vanguard of the working class. Since the founding of New China, the working class has become the master and leading class of the country. With the development of economy, there indeed have been some changes in the ranks of the working class. However, these changes have not and absolutely will not change the class nature and historical mission of the working class. They have not and absolutely will not change the party's character as the vanguard of the working class. The most fundamental and most important way to strengthen party building is to persist in turning our party into a vanguard of the working class armed with Marxism-Leninism-Mao Zedong Thought. Such a vanguard must be a strong core

which truly can lead in an even better way the people of various nationalities in building socialism with Chinese characteristics. This is the fundamental guiding ideology that we must adhere to in the present stage of party building.

Jiang Zemin pointed out: When the Chinese people chose to take the road of socialism, they also chose the Communist Party as the leader. This is the inevitable outcome of China's historical development over the last 100 years and more. Without the Communist Party's leadership, there would have been no socialism in China. Our party is the ruling party. To strengthen leadership, it is necessary to strengthen our sense of ruling and improve our ruling ability. Our Constitution provides that organs of political power at all levels, including the government, the People's Congress, and the judicial organs, must accept the party's leadership. However, the party is not the political power per se, and it cannot replace the organs of political power and exercise their functions. While stressing the strengthening of the party's leadership, we must also seriously improve the party's leadership. The restructuring of the political system must continue unwaveringly, and it must be conducive to strengthening party leadership, not eliminating or weakening it. The multiparty cooperation system and the system of political consultation were formed in a long historical period, and they are a special feature and a strong point of our country's political system. To stabilize China's political situation, it is necessary to stabilize this setup.

He said: To strengthen party building, first of all it is necessary to seriously strengthen the party's ideological building. At present, it is necessary to seriously resolve the question of making a considerable number of Communist Party members join the party ideologically. It is necessary to carry out education throughout the party in the basic theories of Marxism-Leninism-Mao Zedong Thought, in the party's fundamental line, and in the party's basic knowledge in a systematic and in-depth manner. At the core of these "three basics" in education is the use of the Marxist stand, world outlook, and methodology to arm the vast numbers of party members and cadres. Jiang Zemin stressed: A party which is not armed with an advanced theory cannot possibly be an advanced party. A Communist Party member who is not armed with an advanced theory cannot possibly play the role of an advanced fighter successfully. A person who refuses to arm his mind with an advanced theory cannot have true party spirit. Not only must we grasp the fundamental principles of Marxism, we must also constantly carry out theoretical study of the new practical work and sum up our experiences in order to enrich and develop Marxism.

Jiang Zemin asked the whole party to vigorously advocate taking the weapons of criticism and self-criticism to carry out active ideological struggle, pointing out that this is a basic experience in strengthening the party's ideological building. After criticizing the erroneous understanding of equating the conduct of criticism and

self-criticism with the "left," and of believing that active ideological struggle may affect unity, he pointed out: Our party's principle has always been "upholding the truth and correcting mistakes," and distinguishing right from wrong on major issues of principle in order to achieve the goal of raising our understanding and uniting our comrades. All party members should learn how to correctly use the weapon of criticism and self-criticism in inner-party life, and leading cadres in particular should set an example.

Jiang Zemin said: Democratic centralism is the party's basic organic principle, the basic guiding principle essential for inner party life, and an institutional guarantee indispensable for scientific and democratic decision-making. While certain progress has been made in upholding democratic centralism in recent years, insufficient democracy and centralism remains an issue. While we must give full scope to democracy and broaden democracy within the party, we must not forget that not only must the CPC have democracy, it must have centralism on a democratic basis. This is also a requirement for fostering democracy itself. If we emphasize democracy without considering centralism, we certainly will give rise to extreme democratization and anarchism, and nothing can be accomplished under such a situation.

Jiang Zemin incisively elaborated on the need for the party to maintain flesh-and-blood ties with the masses. He said: Our party came into being while maintaining close ties and struggling with the masses and it developed, grew up, and matured during the process. The party needs the people, and the people need the party. Ever since the CPC became the ruling party, it has had better opportunities to serve the people on the one hand, and it also faced a bigger danger of divorcing from the masses on the other. The spreading of unhealthy tendencies and the proliferation of corrupted practices in recent years in particular have become causes of the people's concern and dissatisfaction. Because of this, as well as the provocations of hostile forces at home and abroad, the flesh-and-blood ties between the party and the masses have been seriously damaged. This being the case, we must educate all party members on Marxist historical materialism so that all party members will firmly uphold the scientific viewpoint that the masses are the force that drives history forward; they must also cultivate the good habits of firmly trusting the masses, seeking their support, considering their interests in everything, holding themselves responsible to the people in doing everything, and honestly learning from the masses. Party organizations at all levels must firmly oppose and combat bureaucratism, subjectivism, commandism, and various other erroneous tendencies that hurt party-masses relationship.

On the construction of leading groups at various levels, Jiang Zemin pointed out: We must make sure that the leading authority of all party and state organs is in the hands of loyal Marxists. This is the most important strategic issue which has a direct bearing on the rise or decline of the party and the state. While great success has

been achieved in recent years in promoting cooperation between new and old cadres and in replacing old cadres with new ones, we must clearly understand that this is an endless process of historical development. Thus, we must see far ahead and take measures to build up our leading bodies at all levels so that we can make sure that the cause pioneered by revolutionaries of the older generation will pass from one generation to another. Jiang Zemin stressed: To make sure that county-level and higher leading bodies are made up of those who are genuinely loyal to Marxism and to train from these people tens of thousands of genuine Marxists, we must make every effort to do a good job in training mainstay leaders. Paying attention only to selecting people but not educating them is a myopic and futile practice. The principle drawn up by the party—the principle that cadres must be more revolutionary, younger in average age, better educated, and professionally more competent—is a comprehensive principle in which all requirements are interrelated. It shows that cadres under new conditions must have both political integrity and ability. The need that cadres must be more revolutionary is the prerequisite for them to be selected and used. When we say that cadres must be more revolutionary, we mean that cadres must be firmly loyal to Marxism. To keep pace with the requirements in the new period, leading cadres must also endeavor to study and master science and knowledge in other fields needed in building a modern country.

Jiang Zemin concluded his speech by urging members of the county-level and higher party committees, especially the principal leading comrades, to take the lead in studying, researching, and propagating Marxist theory on party building. He said that all party schools, party papers, party journals, and party building theoreticians should play their part in this area.

Li Peng and Qiao Shi also addressed the meeting.

The party building theoretical research class is cosponsored by the Propaganda Department, the Central Party School, the Central Policy Research Center, and the Organization Department of the CPC Central Committee with the approval of the CPC Central Committee. Attending the class are 44 leading comrades and party building theoreticians from some provinces (regions and municipalities), central and state organs, and military units. It is reported that the class will close early next year.

Song Ping and Li Ruihuan addressed the class when it opened on 5 December.

Present at today's meeting were Lu Feng, Wang Renzhi, Xue Ju, Wang Weicheng, Zeng Qinghong, Xi Weicheng, and other leading comrades of the relevant central departments.

Li Peng Speaks on Economic Restructuring

OW0901150490 Beijing XINHUA Domestic Service
b. Chinese 0940 GMT 9 Jan 90

[By RENMIN RIBAO reporter Jiang Shaogao (3068 4801 7559) and XINHUA reporter Xu Kehong (1776 0344 3163)]

[Text] Beijing, 9 Jan (XINHUA)—The State Council held a national economic restructuring work conference in Beijing from 4 to 8 January. During the period of the conference, Comrade Li Peng, premier and concurrently minister of the State Commission for Restructuring Economy of the State Council, held a discussion with some of the delegates. He also delivered an important speech at the closing session of the conference on the afternoon of 8 January.

Comrade Li Peng emphatically pointed out: The current national economic restructuring work conference is another overall economic conference following the national planning conference and the national financial conference. The convening of the conference shows to whole China and the whole world that China will continue to uphold the policy of reform and opening to the outside world. Our reform and opening to the outside world not only will continue, but also will be carried out in an even better way and proceed on an even sounder track. The basic guidelines of the conference are to implement thoroughly the decisions of the 4th and 5th Plenary Sessions of the 13th Party Central Committee and do an even better job in improving the economic environment, rectifying the economic order, and deepening the reform. He said: Generally speaking, our present national economic situation is good, but we also have some temporary difficulties. At present, it is very necessary for us to work as one, enhance our vigor, and overcome the difficulties.

Li Peng said: We should affirm very clearly and definitely our great achievements in reform and opening to the outside world over the last decade. The achievements are there for all to see. Reform and opening to the outside world have developed China's production, enhanced our national strength, and improved to a varying degree the people's living standards. They have also enabled us to make gratifying achievements and accumulate quite rich experience in exploring the road of reform for a developing socialist country. The experience is very precious to us.

On the relationship between the task of improving the economic environment and rectifying the economic order and the task of deepening the reform, Li Peng pointed out: The task of improving the economic environment and rectifying the economic order and the task of deepening the reform are not opposite to each other. The two supplement each other. The task of improving the economic environment and rectifying the economic order is for the purpose of creating even more favorable conditions for the reform and opening to the outside

world. In the period of improving the economic environment and rectifying the economic order, some of our reform measures should be carried out in support of the task of improving the economic environment and rectifying the economic order. We should understand that the relationship between the task of improving the economic environment and rectifying the economic order and the task of reform and opening to the outside world is that the former is an indispensable stage of the latter. This is why we say that lack of enthusiasm for improving the economic environment and rectifying the economic order is tantamount to lack of enthusiasm for reform. It is incorrect to regard the present task of improving the economic environment and rectifying the economic order as "going backward" or as "an end to reform." To say the least, whoever has such an incorrect idea lacks a profound understanding of the issue.

Then, Li Peng emphatically expounded several basic viewpoints that we should have on China's policy of reform and opening to the outside world: First, the four cardinal principles are the foundation of our country, the policy of reform and opening to the outside world is a road leading to prosperity of the country, and neither of the two basic points is dispensable. Second, the policy of reform and opening to the outside world is a self-perfection of the socialist system and is for the purpose of giving further play to the superiority of the socialist system, and it is not a fundamental change in the socialist system. Third, the basic principle of restructuring the economy is integration of planned economy and market regulation, and now we should explore ways to integrate the two in an even better way. Fourth, we should keep the continuity and stability of the policies concerning reform and opening to the outside world that we have started in last 10 years, and we should not make great changes so as to maintain a steady development of the productive forces. Of course, we should not mark time. Instead, we should constantly deepen, enrich, and improve existing policies after stabilizing them first. Fifth, at present, we should take the opportunity of improving the economic environment and rectifying the economic order to try out new reform measures at selected spots. He said: We must not be overanxious for quick results of China's construction and reform. China's economic restructuring will take a considerably long time. To establish a complete operational system integrating planned economy and market regulation might take us as much time as the entire socialist modernization does. We should try out reform measures first at selected spots, sum up experience, and examine in the course of practice whether they are correct and whether they can promote the development of the productive forces, before we decide whether they should be popularized.

Speaking of the work of the economic restructuring departments, Li Peng said: During the last decade and more, comrades who devoted themselves to reform on the economic restructuring front over the long period have worked conscientiously for reform and have

pushed it forward. Their achievements are the main aspect of their work. We must fully affirm this point. Of course, several bourgeois liberalists and conspirators [yin mou jia 7113 6180 1367] had also emerged on the economic restructuring front, but they could not represent the entire economic restructuring front. The overwhelming majority of our comrades on the economic restructuring front are devoted to socialism, and they want the country rich, strong, and prosperous. These comrades are fundamentally different from those people. In light of the recent rumors in society, Li Peng also unequivocally announced: The State Commission for Restructuring the Economy will be retained as a multi-functional State Council organ for making overall plans for restructuring the economy, and its principal tasks are to draw up urban and rural economic restructuring programs for use by the leadership in making policy decisions and to implement the reform measures on a wider scale after they are implemented at selected points on a trial basis. With regard to economic restructuring, it is permissible to have different views and to have debate with regard to the differing views, as long as they do not run counter to the four cardinal principles. This is because it is necessary to explore both the methods and measures of reform.

Li Peng pointed out: While affirming the achievements in the restructuring work, it is also necessary to soberly realize the weakness and certain mistakes in it. He expressed the ardent hope that comrades on the economic restructuring front would go deep to the grass roots, learn with an open mind, and integrate theory with practice even more closely; that they would act in conformity with the socialist principles and China's reality when they learn from and borrow the economic managerial experience of foreign countries; and that they would integrate the reform planning and programs closely with the country's social and economic development plans.

Speaking of upholding and perfecting the contract responsibility system in enterprise operation, Li Peng said: Both the party Central Committee and the State Council have affirmed that enterprises will continue to implement the contract responsibility system for operation. This is because the system plays a positive role both in overcoming the current temporary economic difficulties and in promoting long-term development of the enterprises. It is necessary to make constant efforts to perfect, supplement, upgrade, and deepen the contract system in dealing with its existing shortcomings. Li Peng also put forward his specific views on the length of contract, ways to further improve contract terms, the selection of the contractors, the relationship between the plant director and the party committee, the selection of the contracting units, the distribution within the enterprise, and other issues related to the new round of enterprise contracting.

Comrade Li Peng also touched on the current international situation and China's opening policy in his speech. He said: Today, science and technology are developing

with giant strides in the world. Closing the door will not accomplish socialist modernization. We must seize the opportunity, uphold the principle, and do more work to create a favorable international environment. He stressed that China will hold high the banner of reform and opening and forge ahead courageously along the socialist road.

At the meeting, Comrade Li Peng also received all the comrades attending the work conference held by the Ministry of Machine-Building and Electronics Industry and put forward demands on the machine-building and electronics industry concerning its future work. Li Peng said: At present, the machine-building and electronics industry is encountering some difficulties. To free itself from the predicament, the industry must raise its product quality, deliver its goods promptly, make its price more competitive, and establish a good service network. In addition, it must conserve the capital, energy, and raw and semi-finished material, and truly raise the economic returns of its enterprises. With regard to the military industrial enterprises, Li Peng stressed: It is necessary to uphold the policy of changing military industrial enterprises into civilian goods manufacturing ventures after the military production needs are ensured and to take the road of integrating the military with the non-military to ensure that military industrial enterprises will play a bigger role in the four modernizations while ensuring the production of military materiel.

Wang Bingqian and Zou Jiahua, state councillors; An Zhiwen, He Guanghui, He Guangyuan, and Zhang Xuedong, responsible persons of quarters concerned; and the responsible persons of the relevant ministries and commissions under the State Council attended the meeting.

Chen Xitong, Li Tieying, Luo Gan Visit Athletes

OW0501185090 Beijing XINHUA Domestic Service in Chinese 1435 GMT 26 Dec 89

[Text] Beijing, 26 Dec (XINHUA)—Chen Xitong, Li Tieying, Luo Gan, and other leading cadres this afternoon visited the Training Bureau of the State Physical Culture and Sports Commission, where they called on some athletes and coaches training for the Asian Games.

Chen Xitong encouraged the athletes to train hard, remove the load on their minds, and display good performances and sportsmanship in the Asian Games.

Li Tieying emphasized that athletes should have confidence, use the valuable experience of sports of the last 40 years, promote scientific training, and strive to achieve good scores in the Asian Games.

The leaders showed great concern for the well-being of the athletes and advised them to eat well, have sufficient rest, and prevent injuries and illness. They also asked the departments concerned to ensure that the athletes be given good food and medical services.

Wu Shaozu, minister of the State Physical Culture and Sports Commission, spoke on behalf of the athletes training there. He pledged that they will display a spirit of selfless devotion, hard struggle, and unity and cooperation to win even greater honor for China.

Chen Xitong, Li Tieying, and other leaders also watched the training of the women's volleyball, badminton, judo, gymnastics, and weight-lifting teams.

Regulations on Rights Infringement Promulgated

OW0901160890 Beijing Domestic Service in Mandarin 1030 GMT 9 Jan 90

[From the "National Hookup" program]

[Text] The Supreme People's Procuratorate on 9 January promulgates the regulations governing the criteria for placing on file for investigation and prosecution cases of infringement upon citizens' democratic and personal rights and cases of dereliction of duty.

At the press briefing, Zhang Siqing, deputy procurator general of the Supreme People's Procuratorate, pointed out: Investigating and handling according to the law cases of infringing upon people's rights and dereliction of duty is an important aspect of implementing the guidelines of the 4th and 5th Plenary Sessions of the 13th CPC Central Committee. By setting criteria for placing on file cases of infringement upon others' rights and dereliction of duty, we can let the masses understand whether their action is legal, illegal, or criminal while they are exercising their rights or performing official duties. The criteria can help citizens keep their behavior within the bounds of law and use the law as a weapon to protect their legitimate rights and interests bestowed by the constitution. In addition, the criteria can help the masses to supervise state functionaries and law enforcers executing the law and to report to the authorities their abuse of power or crimes committed while they are performing official duties. The criteria also helps people see investigation of cases more clearly.

Since the investigation organizations were rebuilt 10 years ago, they have accepted and heard a total of 283,000 cases of infringement upon others' rights and dereliction of duty, including 80,000 cases placed on file for investigation and prosecution and 6,350 important cases.

Economic & Agricultural

Official Pledges Repayment of Foreign Debts

HK1001025890 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 8 Jan 90 p 1

[By staff reporter Wang Xiangwei]

[Text] A top Chinese financial official said that the country will continue "its active but cautious approach"

to accumulating foreign debts, pledging the nation's concerted efforts to deal with the peak of debt repayment in the early 1990s.

In an exclusive interview with the BUSINESS WEEKLY, Tang Gengyao, general director of the State Administration of Exchange Control, said that following the country's economic development and export growth, long-term capital inflow—including foreign loans—will continue to rise in its total amount, but the growth rate will slow down.

The general director said that the recent devaluation of the yuan by 21.2 percent will not have too much effect on debt repayment.

Tang said the size of China's foreign debt has always been under control and the structure is also basically reasonable.

"We are capable enough of making debt repayment on time because we have enough reserves, including 12.7 million ounces of gold in reserve which can be used at any time," Tang said.

He is optimistic about China's capability of servicing foreign debts, citing China's favourable international balance of payments as well as stabilized foreign exchange reserve.

He said: "China has ranked debt repayment first in its international balance of payment plan, ensuring enough funds for repayment."

By the end of last June, China's foreign debt amounted to \$40 billion, of which long- and medium-term debts account for 84.2 percent of the total. Short-term debts make up the remaining 15.8 percent.

The foreign debts which consist of both government and commercial loans are mainly used in such industries as agriculture, communications, transportation, energy, and export-oriented projects.

Tang said the country will have no difficulty in making its payments as long as the debt service ratio stays below 20 percent of the total debt. "The debt service ratio was about 15.1 percent in 1988," Tang said.

He said his administration has already established a series of regulations for managing foreign debts that are proving to be effective.

"For instance, we have very strict procedures in getting approval to borrow foreign money," Tang said. "The debts must be registered with the foreign exchange control departments and any changes in the foreign debts must be reported to the departments immediately."

Tang said the international balance of payments in the past few years was also favourable for debt repayment.

In 1988, despite the soaring inflation of 18.5 percent, exports registered a rapid increase to \$41.1 billion, up 18.2 percent over 1987.

In 1988, the foreign exchange reserve was posted at \$17.5 billion, \$2.3 billion more than 1987.

Tang said the international balance of payments in 1989 also looked favourable, with the total volume of exports expected to surpass the figure for 1988 as imports are curtailed.

However, Tang said that China's foreign exchange reserve dropped to \$14.2 billion because of last June's social unrest.

He said China's international balance of payments will continue to be promising, as the country is trying to expand its foreign trade, particularly the exports.

Tang said the recent yuan devaluation will help spur exports and encourage foreign investment.

"It won't bring about too much effect on the payments of imports and foreign debt because we have already planned for them according to State guidelines."

BUSINESS WEEKLY learned that since the government decided to open its door to the outside world in 1979, the government began to borrow money directly from foreign countries, with the total volume growing rapidly every year.

By the end of 1985, the country's foreign debts amounted to \$15.8 billion, including \$9.4 billion in long- and medium-term debts, and 6.4 billion in short-term debts.

By the end of 1986, the foreign debts rose to \$21.5 billion, of which the long- and medium-term debts amounted to \$16.7 billion and the short-term debts accounted for \$4.8 billion.

By the end of 1987, the foreign debts had soared to \$30.2 billion, including \$24.5 billion in long- and medium-term debts and \$5.7 billion in short-term debts.

Tang said that from 1985 to 1988, the country's foreign debts rose by 36 percent every year.

Article Urges Adherence to Retrenchment Policy

HK0201043590 Beijing RENMIN RIBAO in Chinese
25 Dec 89 p 6

[Article by Sun Shangqing (1327 1424 3237): "Adhere to the Retrenchment Policy, Pay Attention to Structural Adjustment"]

[Text] The communique of the 5th Plenary Session of the 13th CPC Central Committee makes a convincing analysis of the current economic situation in our country. It not only fully affirms the achievements but also realistically estimates the difficulties. In the past year, the policy for improving the economic environment and rectifying the economic order in our country has achieved marked results. In the process of economic

readjustment and rectification, the achievements are just in the initial stage, and some of the short-term objectives have been achieved.

The objectives of the economic readjustment and rectification in our country include: 1) Gradually subduing inflation and lowering the price increase rate to a level below 10 percent; 2) gradually overcoming the excessive supply of currency and suiting the money supply conditions to the economic growth situation; 3) gradually eliminating financial deficits through increasing revenues, reducing expenditures, and practicing thrift; 4) adjusting the product structure and production structure and greatly developing agriculture, the energy industry, the raw materials industry, transport, and telecommunications; 5) improving enterprise quality, product quality, and economic results; and 6) improving and adjusting reform measures and establishing an economic order for sustained, stable, and harmonious development. All six of these objectives are important, and they are closely interrelated and interdependent. Therefore, none of them is dispensable. However, the first three objectives are more immediate and superficial and can be achieved as long as the macroeconomic policy for retrenchment is maintained. The last three objectives are more profound. To achieve them, it will not only take a longer time, but the retrenchment policy alone is not enough. Only when both the superficial and profound objectives are all achieved will we be able to say that the tasks of improving the economic environment and rectifying the economic order have been basically fulfilled and will it be possible for our national economy to really move into the orbit of a benign cycle.

At present, the economic readjustment and rectification have not achieved marked results in achieving the profound objectives. First, the irrational economic structure has not been substantially improved. The imbalance between various economic sectors remains unchanged, and the lack of harmony between industry and agriculture and between basic industry and the processing industry remain rather salient. The convergence of the production structure in various localities and their mutual economic blockades are still becoming more serious in the period of retrenchment. The process of rationalizing the product structure and the consumption structure has just begun. Second, the economic results have been getting worse. In the first 10 months of this year, the state-owned industrial enterprises made less taxable profits than in the same period last year, but the losses incurred by state enterprises increased. The comparable costs of production exceeded the planned target, and the amount of working funds used for per unit product increased sharply. Third, the adjustment of interest relations has encountered many difficulties and can barely advance. The economic control capacity of the central authorities has not been substantially improved due to the financial constraints. All this shows that the work of improving the economic environment and rectifying the economic order has yet to be further advanced in depth.

Also because of this, the results we have achieved in improving the economic environment and rectifying the economic order are not solid or reliable enough. For example, inflation has been effectively curbed, but the decline in the price increase rate month after month is mainly based on 1) the price subsidies provided by the state finances and 2) the value-preserving savings. In addition, administrative means were used to stabilize the prices. If any one of these three levers is loosened, the price stability will immediately be affected. In order to achieve the objective of stabilizing prices, we must lay the deep-level foundation for economic readjustment and rectification. This includes the maintenance of a basic quantitative balance and the structural adjustment. Various reform measures must also be improved and deepened through fulfilling the tasks of economic readjustment and rectification. Therefore, the work of economic readjustment and rectification not only needs explicit objectives, but must also be suited to the internal unity of these objectives. Thus, it is necessary to coordinate the measures for achieving these objectives.

We need to improve the economic environment and rectify the economic order for many reasons, but the basic reason is to overcome the serious disproportion in the national economy since the second half of 1984. The disproportion was first reflected in the imbalance between gross supply and gross demand. Gross demand has exceeded gross supply to a serious degree for several consecutive years, and the gap between supply and demand has been getting wider and wider. However, in the aspect of demand, the imbalance between gross supply and gross demand has mainly been caused by the imbalance between revenue and expenditure and between the issuance of currency and credit and actual need in the national economy. In the aspect of supply, the imbalance has mainly been caused by the irrational economic structure in various sectors and localities, including the irrational product structure and enterprise structure. The oversupplied products were still being produced in large quantities and were heavily stockpiled, thus wasting the limited resources and at the same time stimulating the demand for goods in short supply. As a result, the factors of inflation hid in both the aspects of supply and demand.

However, the gross quantitative imbalance and the structural imbalance can be attributed to more profound structural factors. That is, the distribution pattern of the national income and the interest pattern determined by the distribution pattern have been changing too quickly. So far, the economic structural reform in our country has been carried on mainly along the course of delegating more powers to and leaving more profits in the hands of localities and enterprises. Moreover, enterprises tended to adopt a short-term pattern in distribution. As a result, there were two major tendencies in the distribution of the national income. First, the financial resources were gradually shifted from the state to the hands of enterprises and individual residents. Since the reform began, the proportion of enterprise income and individual

income in the national income has kept rising, while the proportion of the state has decreased year after year. Second, the financial resources were gradually shifted from the central government to local governments. In recent years, not only did the state revenue account for a much smaller proportion in the national income (it was about 22 percent in 1988), but the central budgetary revenue also accounted for a smaller and smaller proportion in the state revenue as a whole (it was about 47 percent in 1988). When the price structure remained irrational, the scattering of the national income inevitably led to two consequences: On the one hand, the national income flowed to the economic sectors, the profitable sectors, and the processing industries and small projects that yield quick returns, thus worsening the production structure and the enterprise organizational structure. On the other hand, the regulatory and controlling ability of the central government was weakened, and the central government lacked sufficient financial resources to develop basic industry and to increase the production of goods in short supply.

Therefore, our attention must be directed at the gradual rationalization of the disproportionate ratios in the national economy in the course of improving the economic environment and rectifying the economic order, including adjusting the structural relations and the distribution proportions of the national income. This is because, first, our efforts to improve the economic environment, rectify the economic order, and deepen the reform serve the purpose of ensuring the sustained, stable, and harmonious development of the national economy and second, harmony is the precondition and foundation for sustained and stable development. Theory and practice have repeatedly proved that without harmony, we will be forced by the objective economic laws to carry out economic adjustment and we will not be able to avoid violent ups and downs in economic development, which can neither be sustained nor stable. This will eventually cause serious losses.

In order to achieve the fundamental objectives of improving the economic environment and rectifying the economic order, we should grasp the following three points. First, adjusting the product structure and the production structure and going all out to develop agriculture, the energy industry, the raw materials industry, transport, and communications. In the period of adjustment, we must be really determined to carry out the "biased" policy favorable to the above-mentioned industries and allocate more of the limited energy, raw materials, and funds to these priority economic sectors and key enterprises. Second, adjusting interest relations. At present, it is necessary to increase the financial capacity of the central government and appropriately raise the proportion of state revenue in the national income and the proportion of the central revenue in the entire state revenue. Only then can we increase the central government's centralized regulatory and controlling ability in the period of improving the economic environment and rectifying the economic order. Third, improving reform

measures. The scattered condition of the national income and the practice of merely relying on "delegating powers, leaving profits, and giving favorable policies to localities and enterprises" were related to the reform approach, which neglected the necessity of establishing a unified and effective system for macroeconomic regulation and control. In order to smoothly advance the work of improving the economic environment and rectifying the economic order, we need to improve and adjust some reform measures. The reform measures, which have proved to be feasible and effective but also have flaws, such as the contract system, should be gradually improved on the basis of maintaining the stability of these measures. In the period of adjustment, the measures that are not suited to appropriately strengthening centralized management, that are not related to too many and too complicated matters, and whose adjustment will achieve quick results, should be resolutely adjusted. In addition, it is necessary to strengthen the coordination of measures for macroeconomic regulation and control and to give full play to the mutually supplementary role of the administrative, legal, and economic means.

Our economic readjustment and rectification have come to a crucial juncture. We cannot relax our efforts because the retrenchment policy has achieved initial results; nor can we give up our efforts halfway just because the retrenchment policy has encountered some new difficulties. Victory will come after consistent efforts are made. We should notice that although production decline and market slackness have caused certain difficulties for production, circulation, and finance, this exactly manifests the effectiveness of the retrenchment policy. The gross quantitative reduction has brought about production decline and market slackness and has also provided an opportunity for structural adjustment. Only by consistently carrying out the retrenchment policy can we promote the innovation of products and form the mechanisms for structural adjustment, thus promoting the change of the production structure and other major economic ratios in a reasonable direction. In a certain sense, production decline and market slackness provide an indispensable environment for structural adjustment. This is because, first, market slackness would promote competition between enterprises, which would lead to the collapse of some enterprises with high consumption and low product quality. In particular, some enterprises which were blindly set up to produce oversupplied products would then be forced to change or stop production. If these problem enterprises are merged into more efficient enterprises, the effective use of reserve assets would be ensured and fewer problems would occur in arranging the employment of the workers. Second, market slackness would prompt enterprises to upgrade their products and innovate their technology. In order to hold a certain share of the slack market, an enterprise must lower its production costs through technological innovation so that its products can become more competitive, or must develop new products so as to open new markets.

Another reason why we must adhere to the retrenchment policy is that the present slack market situation appeared when there was a general situation in which gross demand still exceeded gross supply, therefore, market slackness remains a temporary and partial phenomenon. The effect of large amounts of currency that were issued in the past few years to meet the imbalanced distribution of the national income still exists. Part of the money has been attracted by the banks in the form of value-preserving deposits, and part of the money remains in the hands of residents, who tend to buy goods when prices are rising and wait when prices are falling. The huge surplus purchasing power remains a hidden threat to the market. If we give up the retrenchment policy now, the economic structure would return to the old pattern at once and prices would rise again. It should be pointed out here that some flexible measures should be adopted to deal with the new problems in the course of implementing the retrenchment policy. Effective supply should be increased appropriately so as to stabilize the economy and the markets. However, such flexibility must not shake the implementation of the retrenchment policy. We have both positive and negative experiences in this respect.

Article on Economic Improvement, Rectification
HK3012031089 Beijing RENMIN RIBAO in Chinese
18 Dec 89 p 6

[Article by Xue Muqiao (5641 2550 2890): "Always Bear in Mind Historical Experience, Firmly Carry Out the Policy of Economic Improvement and Rectification"]

[Text]"The Resolutions of the CPC Central Committee on Further Improving and Rectifying the Economy and Deepening the Reform" were passed at the 5th Plenary Session of the 13th CPC Central Committee. The plenary session fully affirmed the reform and opening up in the last decade and the achievements in economic improvement and rectification in the last year. It also realistically assessed current problems in the economy and promised to adhere to implementing the policy of economic rectification and deepening the reform. It emphasized that we must at all times act according to our reality and follow the guiding thought of continuously developing our national economy in stability and a balanced manner; and that we must avoid the error of being overanxious for quick results and pursuing excessive development in some aspects and not others. This is the most important lesson from China's economic construction in the last four decades.

Historical Experience From the Initial Years of the PRC and the Early 1960s

Our current economic problems are mainly uncontrolled inflation and irrational economic structure. A major task for the present economic rectification is to curb inflation and stabilize prices. China is experienced in curbing

inflation. In March 1950 we ended a 12-year-old malignant inflation once and for all, and earned the admiration of not only representative figures of the bourgeoisie in China, but also foreign economists, who saw it as a miracle. In the early 1960s, the error of the Great Leap Forward again boosted prices, but it was overcome after 3 years of adjustment. These two inflations were tough, but were nevertheless resolved thanks to the determination of both leaders and masses. To free ourselves from the present straits, we must review our historical experience.

The fundamental reason for the inflation of 1949-1950 was tremendous military spending during the large-scale liberation wars. Therefore, it was only when the liberation had gained victory, and revenue and expenditure had more or less reached a balance that inflation could be overcome and prices stabilized. In early 1950 the liberation wars ended in victory. In March of that year the central government unified national revenue and expenditure. They were basically balanced. Therefore, the central government was able to control monetary issue and in turn to stabilize prices.

At that time it was not easy to achieve a balance between revenue and expenditure. At the end of 12 years of war, the Chinese economy was in shambles and people's living very difficult. To guarantee social stability, we had to take over most of the Kuomintang troops and government staff that had stayed. We also had our own cadres and soldiers. That meant the government had to support 9 million people that were no longer working. Premier Zhou Enlai pointed out that this was 'a burden of victory' that we had to first deal with. Based on this, comrade Chen Yun formulated a guiding principle for the finances and economy. To stabilize prices, we had to first of all ensure a balance between revenue and expenditure. For this reason we could not start investing on constructions. We could only handle priority areas even in our efforts to recover the economy. It was not until 1951, and especially 1952, that we began to recover all aspects of the economy and to introduce imperative construction on a small scale. In those 3 years, production developed at a high speed and the finances were in balance. There was even a small surplus. We owed this to our sober-minded leaders who were not overanxious for quick results. While the people were still poor, they were much better-off than before and they saw hope in the future. Everyone in China was convinced that a better future was awaiting them. They were full of praise for the government. The straits soon became a thing of the past.

In 1953 we introduced our First 5-Year Plan, the goal of which being to lay a preliminary foundation for industrialization. We could only afford to carry out 156 key projects with Soviet aid. When our own small-scale projects were included, we had a mere 700 projects altogether. The speedy development in production during the 3 years of recovery bred the tendency to seek quick results in a short time. In 1956 a large-scale rash advance emerged. However, the leading comrades (especially Premier Zhou and comrade Chen Yun who was in

charge of economic work) were sober-minded. They lost no time in checking rash advances. Therefore, they were able to maintain a balance of revenue and expenditure, control monetary issue, and stabilize prices.

When the First 5-Year Plan had achieved more than the target and socialist construction and transformation had obtained a tremendous victory, some leading comrades were carried away by success. In 1958 the grave error of the Great Leap Forward appeared. For 3 consecutive years heavy industry grew at excessive rates. In production we were overanxious for quick results and in the socialist transformation we were impatient. Therefore, in 1959 agricultural production drastically dropped. The same thing happened to production in light industry in 1960. In 1961 and 1962 even production in heavy industry drastically dropped. A deficit of 17 billion yuan appeared in 1958-1960. Between the end of 1957 and the end of 1961 the monetary issue increased by 1.4 times. The influences of inflation and declined production combined to disrupt prices, which became unstable. To overcome the problem, the major measure adopted then was to reduce investment on basic construction. It dropped from 38.4 billion yuan in 1960 to 12.3 billion yuan in 1961 and 6.76 billion yuan in 1962. The financial deficit disappeared and in 1962 there was a balance of 0.83 billion yuan. Monetary issue dropped from 12.5 billion yuan at the end of 1961 to 8 billion yuan in 1964. Prices went down in a short time. If the price index in 1957 was 100 percent, by 1962 it had climbed to 126 percent and in 1965 dropped to 111 percent. In those few years the whole nation, from leading comrades in the central government to the masses, lived in austerity. In addition, effective regulatory measures were enforced. After 3 years we had basically overcome the difficulty. As the whole nation was united on this, the people did not complain. In the 3 years that followed, industrial and agricultural production fast recovered. People's livelihoods improved and they were happier than before.

In 1966 the Cultural Revolution broke out. Production was disrupted. The guiding principle of preparing for war and being overanxious for quick results was still dominant. In most years the scope of basic construction was too large and heavy industry developed too fast, which once again upset the ratio between agriculture, light industry, and heavy industry. In those 10 years, revenue and expenditure were basically balanced and prices stable. However, this was to a large degree made possible by sacrificing improvement in the people's livelihood. In 1976 the level of the people's livelihood was lower than that in 1965 and 1957. Certainly the people were unhappy about it.

These 20 years' of experience prove that when facing grave difficulties, we should act in accordance with the reality, seek truth from facts, observe the objective law, and adhere to the correct principle. If we could do so, we would be able to overcome the difficulties in a short time, and develop the national economy in a stable and coordinated manner. However, when we had achieved great success in economic development, we tended to

lose our good sense and pursue quick results. Consequently, the development of our national economy would be severely hampered. History tells us that during moments of victory, we must be heedful of the tendency of rash advance. The scope of investment on construction must be raised in proportion to our strength in material supply, and improvement in the people's livelihood must be in accordance with development in consumer goods production. The balance between finances, credit, and material resources, as well as the basic proportionate relationships in national economy must be maintained. Once the ratio is upset, economic development will fluctuate, resulting in grave difficulties.

5 Years of Regulation and 10 Years of Reform

After smashing the gang of four, it took us 2 years to set things straight and establish a new core of leadership with comrade Deng Xiaoping as the head. In those 2 years we devoted most of our energy to overcoming chaos in the national economy caused by the Cultural Revolution and regulating the disproportionate relationships in agriculture, light industry, and heavy industry. In 1978 the philosophy of rash advance again dominated and a great leap forward characterized by foreign influences emerged. Imbalance in proportionate economic relationships intensified and it became more and more imperative to regulate the economy. Therefore, it was stated in the 3d Plenary Session of the 11th CPC Central Committee that along with reform and opening up, more effort should be devoted to regulating economic proportionate relationships. The planning of the national economy for 1979 emphasized reducing the scope of basic construction, and spending the money thus saved to raise purchasing prices for agricultural products, and wages of staff and workers so as to improve the people's livelihood. On the relationship between regulation and reform, it was decided that the first few years should emphasize regulation and the following years reform. This was not only because with a good economic order we could introduce reform, but also because we did not as yet have a blueprint for reform. We had to keep trying. Practice has proved this decision to be correct.

Our regulation took a zig-zag course. In 1979 and 1980 many comrades did not realize the need to adjust the economy and they became an obstacle. We were not able to reduce basic construction to the target extent, while consumption funds grew beyond target. This led to a rather high deficit, slightly excessive monetary issue, and rather serious price hikes. (The main factor was raising the selling prices of eight kinds of non-staple food and state provision of price subsidies.) The people's livelihood nevertheless was visibly better due to income increases. To reduce the scope of basic construction, the bank introduced abrupt measures in early 1981 to freeze the deposits of localities and enterprises. As a result, the first season registered a negative growth. (It was so mainly in machinery production. Light industry was still rising.) In the second season money became less tight. In

this year the total output value of industry and agriculture went up by a mere 4.6 percent, the output value of agriculture rose by 6.4 percent, that of light industry rose by 14.3 percent, and that of heavy industry dropped by 4.6 percent. In this year fixed capital investment was lower than that of the previous year by 7.8 billion yuan. It was the best year in terms of completing the adjustment plan. The deficit figure dropped, monetary issue did not increase as fast as before, and prices were generally stable. In 1982 and 1983 fixed capital investment was still under control, and so the supply of means of production gradually eased up, the supply of consumer goods increased, and a buyers' market even emerged in some commodities (including cotton cloth).

In those few years agricultural production soared as a result of raised purchasing prices for agricultural products and the implementation of the contracted family responsibility system. This in turn boosted growth of light industry. The growth of heavy industry was slower, but with the exception of 1981 there was still a suitable degree of growth. There was a balance in the proportionate relationships of agriculture, light industry, and heavy industry. In 1981-1983 the rate of accumulation dropped to below 30 percent. The people's livelihood became better than before and the task of adjustment had basically been completed.

In October 1984 the 3d Plenary Session of the 12th CPC Central Committee shifted the emphasis to reform and opening up. It also pointed out that the Chinese socialist economy was a planned commodity economy based on public ownership of means of production, and that "the more we want to reinvigorate the economy, the greater importance we should attach to overall regulation, and the better use we must make of economic levers such as pricing, taxation, and credits while grasping the economic situation in time, so as to regulate the total supply and demand and important proportionate relationships such as those between accumulation and consumption," etc... No doubt the plenary session pointed to the right direction, but errors arose in implementation.

To put the new economic management system into practice, we had to maintain a balance between revenue and expenditure, control the amount of monetary issue, revise pricing while avoiding inflation, and on this basis make good use of such economic levers as taxation and credit to ensure overall regulation and control. Regrettably, in the last season of 1984 the department concerned made two wrong decisions, namely, to use the total amount of credit of the previous year as a base figure for the credit fund of 1985, and to use the total amount of wages of the previous year as a base figure for the wages fund of 1985. Consequently, banks competed in issuing loans and the scope of basic construction expanded. Enterprises also raised wages and issued bonuses. The result was a loss of control on monetary issue. In the fourth season of that year the increase in monetary issue surpassed that of the same time the previous year by 146 percent. If the year was taken as a

whole, the increase surpassed that of the previous year by 49.5 percent. Inflation became obvious.

In the first half of 1985, inflation led to excessive growth of industrial production. The State Council summoned four meetings of heads of provinces to address this abnormal phenomenon. It demanded that fixed capital investment be reduced. However, the whole nation was intoxicated in excessively high economic growth, and so the measures adopted were not effective. Banks continued to spend most of the credit funds as loans for fixed capital investment. After they went into operation, many enterprises found themselves in a shortage of circulating capital and energy supply. The shortage of raw materials also became more pronounced. In the first season of 1986, the growth rate of industrial production dropped to 4.4 percent. Many people were stunned by the economic 'slide' and demanded that money be eased. I pointed out in the preface to "ZHONGGUO JINGJI NIANJIAN, 1986" [CHINA ECONOMIC YEAR-BOOK, 1986] that: The 4.4 percent of this year is compared with the excessive growth by 23 percent of the first season last year. When calculated together, the average annual growth of the 2 years should be more than 13 percent. The growth rates of last year dropped each season. This year they may rise each season. When the year is taken as a whole, the growth may reach 8 percent. When considered together with the 18 percent of last year, the average growth of the year is 13 percent. It still is a high rate. The result of the implementation was in 1986 industrial production increased at the rate of 8.8 percent.

In the second season of that year, the resolutions of the top leaders in the State Council began to waver. They tried to maintain an excessively high growth rate of industrial production with inflation. As a result, overall control became weaker and weaker. In 1987 and 1988, inflation continued and prices stayed at high levels. Top decisionmakers intended to depart from the correct conclusion of the 3d Plenary Session of the 12th CPC Central Committee which held that "bringing a balance to the pricing system is the key to the success of the entire economic reform," and tried to bypass the price reform in order to accelerate the reform of the economic system. When this fancy was shattered, efforts were made to bypass curbing the inflation so as to accelerate price reform. When news of accelerating price reform was disclosed in the press in August 1988, chaos followed. For example, people rushed to banks to withdraw their savings resulting in panic buying. The party central summoned in time the 3d Plenary Session of the 13th CPC Central Committee and came to the wise resolution of "improving the economic environment, rectifying the economic order, and deepening the reform." The agitation was calmed down.

The direction of the decade of reform remains correct. Its achievement is also tremendous. We must not deny this. In the first 5 years, reform priority was on the rural areas. Gradually it moved to the cities. In the former the

contracted family responsibility system was implemented step by step and the effects were very clear. This aspect of reform is still being perfected. While not jeopardizing grain production, operation has been diversified, town and township enterprises have been set up, and commodity exchange between town and country has been encouraged. These have not only improved peasants' livelihood, but also increased supply to cities. In the cities, we have been gradually correcting the problem of overly centralized economic management, and expanded local and enterprise autonomy so that they could develop themselves and produce products that met market demand. We have also changed the system of exclusive business operation in town and country, and encouraged multiple operation by the state, collective, and individual. The market became increasingly prosperous and employment rose. We also argued that China is still at the initial stage of socialism, and that we must adhere to socialist public ownership as the mainstream and suitably develop individual economy and private enterprises as a complement to state and collective economies. To accelerate socialist modernizations, we must open up to the outside, actively develop the three kinds of partially or wholly foreign-owned enterprises, and effectively run the special economic zones and districts and cities that have been open to the outside. Our achievements in these aspects have been impressive.

While the general direction of the 3d Plenary Session of the 12th CPC Central Committee is correct, the error of rash advance arose in practice. Before a new system had been established whereby we could exercise overall control with such economic levers as pricing, taxation, and credit, too much power had been taken away from the central in the aspects of planning, finance, banking, and foreign trade. Too much centralization became too much decentralization and the overall economic environment was damaged. Besides, before a new economic system had taken shape, we were overanxious for high growth rates. The economy became overheated and a new imbalance in proportions emerged. The imbalance this time was not the same as that after the Great Leap Forward and that before the 3d Plenary Session of the 11th CPC Central Committee. The previous two can be attributed to an overemphasis on heavy industry and backwardness in agriculture and light industry. It resulted in development in production but regression in the people's livelihood. During the later phase of the Great Leap Forward, agriculture, light industry and heavy industry decreased in order. At that time we started to regulate in the context of severe decline of industrial and agricultural production. The imbalance this time occurred on the basis of super speed of development in production. Manufacturing and high consumption service industries developed too fast. The supply of raw materials and energy and railway transport could not catch up. Investment and consumption demand expanded too fast, and prices soared. We started to regulate in the context of excessive speed of development in industrial production. In this situation, people often are not aware of the overheated economy. They

only know that prices become higher and higher, but not the factor behind it, namely, the overheated economy. Therefore, the economic improvement and rectification this time is more difficult. We must understand the historical experience and the importance of adhering to the continuous development of an economy in a stable and balanced manner.

Improve and Rectify the Economy and Free Ourselves From the Straits

The policy of "improving the economic environment and rectifying the economic order" has been implemented for more than a year. The initial effects are being felt, but we are still a long way from freeing ourselves from the straits. The 5th Plenary Session of the 13th CPC Central Committee summoned recently assessed that it may take 3 or more years to achieve this. In the last few months the situation seemed to continue to deteriorate. Actually it has been developing in a healthy manner. In September, October, and November this year industrial production growth rates were lower than those last year, they were 0.9 percent, -2.1 percent, and 0.9 percent respectively. So some people are stunned again by the 'slide' and requested that money be eased to encourage growth. Actually the present rate is compared with the rate of the same time last year and before the panic buying. In September, October, and November last year industrial production soared as a response to panic buying and growth rates reached 20.2 percent, 20.4 percent, and 17.7 percent respectively. When we watch the development speed of industrial production, we should take this aspect into consideration. The industrial production from January to November of this year is higher than that of the same time last year by 7 percent. When the year is taken as a whole the growth rate is definitely lower than 7 percent. The GNP may have increased by about 5 percent. Compared with other countries, this rate is not low.

In the first season of this year, industrial production maintained a rather high growth rate. (The growth rate of state-owned industry dropped.) However, profits decreased, losses increased, and production effectiveness continued to drop as a result of shortage of energy and soaring prices of raw materials. The only way to resolve the problem is to speed up the increase in energy and raw materials supply (which will take a rather long time) and slow down manufacturing. The low growth rate of this year is an inevitable consequence of the very high growth rates of the last few years.

Another problem is low product quality. The implementation of the complete rationing system in finances has disrupted regional division of labor in production, and so cotton-growing areas run small cotton textile mills, wool-producing areas run small wool textile mills, and tobacco-growing areas run small tobacco factories. Since their technology is backward, they rely on high quality raw materials to produce low quality goods. The textile industry is well-developed in Wuxi, and the products here are mainly for export and we can earn foreign

exchange from them. However, cotton is grown in the north of Jiangsu province, and it is all used up by small textile mills there. State-owned factories produce fine cotton yarns to weave high quality cloth. Town and township factories produce coarse cotton yarns to produce low quality cloth or cotton blankets. The prices of the two differ by a few times. This is also why the value of industrial production has dropped this year.

The total retail sales of commodities in the market has dropped even more sharply than growth rates of industrial production. Last year at this time the market was active, this year it is weak. To the producer, this poses a greater problem than declining production growth rates. However, in terms of overall regulation and control, it will provide us with the prerequisite to regulate the industrial structure and raise economic results. During the panic buying last year, many low quality products that had been stored were bought out. Therefore, factories simply produced and cared little about quality or market outlet. It is different now. If a competitive market is established in the present situation, producers have to take into consideration quality, costs, and marketability of products. Only those that excel can survive. What we could not achieve in the past we can now.

A weak market is a disaster in the West, but in China, where the economy is overheated, it may be an opportunity. We should grasp it and actively regulate our industrial structure and product mix. This is critical to further improvement and rectification of the economy at present. Only by grasping this step can we bring the national economy back to a benign cycle. We must devote our efforts to radically raising agricultural production and enabling the steady growth of energy and major raw materials production. Meanwhile, we should actively regulate manufacturing so that its development is coordinated with that of agriculture and basic industries, and in line with changing market demands. Product mix should adjust to market demand so that supply meets demand. The gradient policy should be adopted in the supply of capital, energy, and raw materials so as to support superior enterprises in difficult times. The policy of regulation, rectification, transformation, and improvement should be exercised on town and township industry to ensure healthy development.

Of course we will have to pay heavy prices for the regulation of the industrial structure. First, many factories that have survived by eating from the same big pot and relying on the state may be closed down. The state is also determined to check up on speculative companies that emerged from the overheated economy in the last few years. They are a tumor on our skin and we must have it removed. Many factories that consume a great deal of energy and high quality raw materials to produce

low quality products can be left to be eliminated in competition or linked to or merged with large plants.

The above mentioned measures will inevitably lead to unemployment of some staff and workers. This question must not be ignored, but at the same time it is not unresolvable. China is a nation with the largest population in the world. Apart from a few regions along the seaboard, full employment has never been a reality. Before the 3d Plenary Session of the 11th CPC Central Committee, large numbers of youth in urban areas were awaiting employment and many in the rural areas were in concealed semi-unemployment. After a decade of reform, we were able to overcome even this problem. Employment is at a peak at present. If unemployment appears, it will be quickly overcome as long as all of us, from the top down, are prepared for the hardship, live in austerity for a few years, and make the necessary arrangements. There are more employment channels now than before, and the people's savings have radically increased. They are more able than before to withstand temporary unemployment. The scope of construction in our nation is still very large. After completing the projects it is necessary to increase the number of staff and workers. In short, as long as we handle the problem in the right manner there will not be widespread long-term unemployment.

Of course this does not mean that we will do nothing about unemployment. On the contrary, we should do everything to reduce it. Many nations (including capitalist ones) have social insurance funds and issue temporary relief to the unemployed. In China, welfare funds used to be the responsibility of enterprises. Now a small number of cities have set up social welfare (insurance) funds and can provide social relief for the unemployed. Because the system of eating from the same big pot has not been truly eliminated in China, subsidies for losses of state-owned enterprises had risen from 9 billion yuan in 1979 to 44.65 billion yuan in 1988. We can consider letting hopeless enterprises go bankrupt and save the subsidy on them for unemployment relief and re-training the unemployed for new jobs. We can gradually provide jobs for the unemployed or help them to find jobs. Since the 3d Plenary Session of the 11th CPC Central Committee, there has been an increase of more than 20 million individual economic operators and staff and workers employed in private enterprises. In this aspect there is still a lot of potential.

The reform of the socialist economic system is great and unprecedented pioneering work. We have been searching for 10 years and accumulating rich experience. Now it is necessary to pool all forces together and soon formulate a plan for short- and long-term economic development. We should also design a comprehensive and well-coordinated economic reform program, and advance with clear directions and order. Our wish will come true.

RENMIN RIBAO Article Views State Revenue

HK030110490 Beijing *RENMIN RIBAO* in Chinese
25 Dec 89 p 6

[Article by Zheng Qi (6774 3823): "Gradually Increase the Proportion of Revenue in the National Income"]

[Text] The proportion of revenues in national income refers to the amount raised directly by the state by various means from the newly created value of society as a whole, which is manifested in the form of national income. This proportion reflects to a large extent, the scope of centralized state financial resources. It is also a major indicator of the status and role of state finances. Since the founding of the PRC, the proportion of state revenues in national income had always been above 30 percent. In the last few years however, it has been dropping. In 1978 it was 31.9 percent, and by 1988 it had dropped to 22 percent. This means that in 10 years it had dropped by 10 percentage points. Our figures are lower than those of developed capitalist nations characterized by consumer finance and welfare finance (which are typically 30-60 percent). They are also lower than those of the Soviet Union and some nations in Eastern Europe (which are typically 60 percent upward). They are even lower than the average corresponding figure of developing nations. The proportion is low considering the state government's responsibilities and efforts to maintain a continuous, stable, and balanced economic development. The gradual proportionate decline of state revenues has weakened the government's ability to regulate and control economic operations as a whole, so that a lot of problems have emerged. The 5th Plenary Session of the 13th CPC Central Committee resolved that the proportion of state revenues in national income be gradually raised. This is the conclusion of the practice and experience of many years of economic reform and development.

The proportion of state revenues in national economy has been on a downward move for several years. The factors for it are complex. In terms of overall policy making, the prime factor is an irrational economic structure. In the industrial structure it is illustrated by a weak agricultural base, inadequate input, and slow growth of labor productivity that lags behind development of the national economy and people's needs; excessive development of manufacturing and extremely slow development of basic industries which coalesced to result in unbalanced industrial development and formed a bottleneck in development; grave shortage of raw materials, energy, and transport and communications so that effective use cannot be made of machines and equipment, and socioeconomic development is seriously restrained. In the investment structure the problem is manifested by mushrooming projects and capital construction. As a consequence, non-productive investment is much higher than productive investment. Meanwhile, an overlap in production and construction projects has caused much waste in resources and in turn made the industrial structure even more irrational. Tension has

also been intensified among the trades and the localities in economic development, and in the supply and demand of raw materials, energy, and transport and communications. In terms of enterprise mix, an overlap in production and investment has led to the formation of too many enterprises of the same type, and increasing efficiency to scale has to be sacrificed. Irrationality of economic structure is a factor leading to economic imbalance and short supply. Our state revenues are established on the basis of and increase with, economic development. However, when the economic structure is irrational, the faster the development, the more numerous the problems and tension, and the more serious the consequences. On the one hand there is a more critical shortage of material resources. On the other hand, existing equipment has a low utilization rate, both overall and specific aspects of the economy yield poor results, and state revenues cannot grow at the same rate as national income.

Second, another major factor preventing increase in revenues is the low economic results of enterprises. In the past few years the input of society-wide fixed assets and circulating funds increased on an average of about 16 percent per year, whereas the GNP did at a lower rate. An inevitable tendency resulting from scientific and technological advancement and continuously rising labor productivity is the national economy grows faster than investment at large. For example, in 1951-1980, industrial investment in the United States grew by 2.7 percent and industrial output by 3.8 percent per annum. The comparable figures are 11 percent and 11.4 percent for Japan, and 8.2 and 8.6 percent for the Soviet Union. Another illustration of low enterprise efficiency in China is high consumption of resources and relatively low output. Our input of resources each year is 4.8 times that of France, 4.6 times that of Japan, 4.3 times that of Brazil, and 1.4 times that of India, but our output is so low that it is only about a quarter of that of Japan. In the 1988 budget the costs of comparable products of state industries would rise by 12.3 percent and the losses of enterprises that had deficits would rise by 26.6 percent.

Third, the distribution of national income is slanted toward enterprises and individuals so that the initial distribution of national income is too spread out. Under the guiding thought of decentralizing power, profit concession, and tax reduction in the last few years, there has been radical change in the pattern of national income distribution. State revenues have declined, whereas incomes of individuals and enterprises have increased. In 1988 our economy grew at an overheated rate. While output value, income from sales of products, and profits made by enterprises soared at impressive rates, the income tax collective enterprises turned over to the state grew by only 3.8 percent compared with that of the same time in the previous year, and in local budgets, that of state enterprises dropped by 9.5 percent compared with the same time the previous year. In 1986 the proportion of income tax, retained profits, and loan repayment relative to realized profits of state-owned enterprises was

45 percent, 36 percent, and 19 percent respectively. The comparable figures were 38 percent, 40 percent, and 22 percent for 1987; 29 percent, 45 percent, and 26 percent for 1988; and 19.4 percent, 56.5 percent, and 24.1 percent for January to July, 1989. The amount turned over to the state has been dropping and profits retained by enterprises have been growing. On the other hand, incomes of individual staff and workers have been rising abnormally. Evidence from the Beijing Municipal Statistical Bureau suggests that in 1988, the average per capita wage income made up only 59 percent of the per capita total cash income in Beijing. In other words, only about half of the income was wage income, the rest came in the form of non wage income, such as bonuses of various kinds. The result is the vast growth of consumption funds.

Fourth, accompanying the grim economic environment and chaotic economic order are negative influences on the taxation environment and order. Efforts to conduct taxation work by legal means have been disrupted. Local government departments were the first to overstep their power to reduce taxes, and this was a rather common phenomenon. Some local governments, focusing on developing their own economy, emphasized they were special cases and looked for exemption. Some departments in charge of enterprises ignored the interests of the state by putting the priority on developing their own systems or trades and one-sidedly emphasizing problems in enterprise production and management. They viewed as 'experience' measures adopted by local governments to reduce taxes by overstepping their power, and they promoted such an 'experience.' Besides, tax evasion is a grave problem. Currently, more than 50 percent of the enterprises and more than 80 percent of individual economic operators and private enterprises evade taxation. Between 1985 and 1988 China launched four large-scale inspections and found out that tax evasion and illegal money amounted to 44 billion yuan. More seriously, some tax payers even resisted the legitimate work of taxation departments and cadres. Such confrontation cases were rather common. Since efforts to conduct taxation work by legal means have been disrupted, some revenues have been lost. The state has not collected the full amount of revenues as expected.

To raise the proportion of revenues in national income, in our efforts to improve and rectify we should adhere to the thorough implementation of the state policy on industry that the State Council formulated. We should also actively adjust both the industrial and investment structure, raise the economic results of enterprises, perfect the distribution system, and strengthen tax levy and administration, and efforts to conduct taxation work by legal means. Therefore, I believe improvement can be realized if we revise the taxation policy in the following aspects:

First, we can gradually revise the building investment tax in fixed assets investment in such a way that it facilitates the adjustment of both industrial and investment structure, and contributes more to revenues. The tax rate

should be decided with reference to the industrial policy. Differential tax rates should be imposed on investments according to the ranking of industries in development. In tax levy and administration, control should start at the source. Meaning, at the stage of considering and approving investment projects we should at the same time conduct tax levy so as to prevent evasion.

Second, we should perfect the existing regulatory individual income tax and gradually change from combined income tax to income tax by item. Income from sources other than wages, such as income from contraction and sub-contraction, remuneration for personal services, and patent transfer, etc., should be taxed each time it is received. A corresponding individual income reporting system should be established. Those that evade taxation should be heavily penalized. On the basis of developing production and raising labor productivity, we should further improve the existing bonus tax and regulatory wage tax so as to regulate and control the slant toward the individual in distribution of national income and the excessive growth of consumption funds.

Third, we should determine the substance-of-value status of state-owned resources, gradually expand the scope of resources tax, and change the current state of free use of state-owned resources, so as to increase revenues. At the same time, we should study existing methods of levying resources tax and change from progressive tax to levy at a fixed rate on a specific amount, and then levy extra tax on higher amounts. We can also consider delegating down certain taxation power and allow local governments to levy taxes on local resources according to availability of local resources and needs to regulate and control.

Fourth, we should improve the taxation environment, rectify the taxation order, and strengthen efforts to conduct taxation work by legal means so as to prevent evasion. We should follow the principle of "taxation law must be uniform and taxation power must not be decentralized" as stipulated by the State Council, seriously deal with cases whereby local governments overstep their power to reduce tax rates, and strictly prevent tax evasion. We should also introduce reform on the levy and administration of taxes. The current practice, whereby an officer visits a tax payer and the same person is responsible for the procedures of levy, administration, and inspection on whether tax has been paid, should be changed. Rather, these three steps should be separate work. Taxation departments should be granted the necessary authority to levy taxes and administer it. An office to ensure taxation work is carried out should be established as soon as possible. Taxation inspection offices should be improved. Specialized tax courts can be set up on a trial basis along with a committee to negotiate taxation.

Circular Emphasizes Control of Self-Raised Funds

*HK0901024990 Beijing RENMIN RIBAO in Chinese
5 Jan 90 p 2*

[Report by Su Ke (5685 0344): "State Planning Commission Circular Calls for Strengthening Management of Capital Construction Funds Raised by Own Effort"]

[Text] The State Planning Commission recently issued a circular, emphasizing that all units which need to use the capital construction funds raised by their own effort must deposit such funds in the People's Construction Bank of China before the project is approved.

In the past year, in order to control the scope of investment in fixed assets and strengthen the management over self-raised capital construction funds, the state made a rule that all such funds should be deposited in a special account of the construction bank before they are used. The funds must be managed in accordance with the principle of deposit before approval, approval before use, and use after deposit for over half a year. However, some departments, units, and banks have not followed this rule. They have adopted countermeasures to evade supervision and thus, have seriously affected the smooth development of the work of checking up the projects under construction, reducing the scope of investment, and readjusting the investment makeup.

Shanghai Workers Help State Tackle Problem

Selflessness Cited
*HK2912151089 Beijing RENMIN RIBAO in Chinese
17 Dec 89 p 1*

[Report by Zhang Shihong (4545 0013 7703) and Li Shian (0491 1102 1344): "Staff and Workers in Shanghai Wristwatch and Clock Manufacturing Industries Hold Discussions on 'What To Do at a Time When the Country Is in Difficulties'"]

[Text] About 20,000 staff members and workers in Shanghai wrist watch and clock manufacturing industries are holding discussions on "what to do at a time when the country is in difficulties." This has aroused widespread repercussions in Shanghai industrial circles. Many enterprises have boosted the morale of their employees during the current discussions and have also found ways to solve their difficulties.

Why is it necessary to hold these discussions? Leaders of the Shanghai Wristwatch and Clock Company's party committee said these discussions are being held to solve the present economic difficulties. In the first 10 months of this year, enterprises encountered big difficulties because the market was weak, funds were inadequate, and products were unsaleable. Was the answer to blame others or to find ways to get out of the difficult situation? To ask the higher authorities for help or mobilize the masses to solve the problems? Every party member and cadre was facing a severe test. The municipal party

committee made it clear that the central task at present was "first, to remain stable and second, to make efforts." What should they do? After investigation and study they decided to conduct discussions on "what to do at a time when the country is in difficulties."

Party, government, trade union, and Communist Youth League organizations in these manufacturing industries have encouraged everyone to answer this question by proceeding from their specific conditions. These discussions have continued for over a month, many rational suggestions have been raised, and factory directors have also worked out detailed measures for overcoming difficulties. The situation has turned for the better in many factories. What does this indicate? As leaders of the company's party committee put it, this indicates that the masses really have great socialist initiative and that cadres and masses are also considering the questions raised by the party committee.

These discussions suggest that the results of any discussion are determined by the leaders' attitude and their determination to lead the masses forward. The experience of the China Clock Factory is worthy of recommendation. The "Three Five" brand clocks produced by this factory had sold well in the past but sales had dropped over the last 2 years. In October this year, the factory had 170,000 clocks overstocked and the loss was estimated at 5 million yuan. During a discussion, leaders of the factory pointed out that there were faults in leadership style. At a workers meeting, these leaders took the initiative in undertaking responsibility for the faults and in explaining the factory's difficulties to the masses. The factory's employees were satisfied with this sincere attitude. Taking account of the employees' opinions, leaders of the factory made detailed work arrangements and formulated next year's plan. Now, 40,000 of the overstocked clocks have been sold and both the leaders and masses in the factory are greatly encouraged. They believe there is much hope for them to get out of the ravine.

Each factory has its own difficult problems and efforts should be concentrated on solving these problems during the current discussions. The No. 3 Wristwatch Factory had the following problem: The general company required the factory to export 90,000 more wristwatches. With each extra wrist watch exported the factory would lose 8 to 10 yuan in income. Were the employees willing to bear this loss? So a discussion was held during which they said: "Our enterprise has difficulties but the state has even bigger difficulties to solve. We would rather bear the loss to let the state increase its foreign exchange income."

The current discussions in the wristwatch and clock industries also brought about a turn for the better in factory style. Some factory cadres are taking part in work at workshops and some are making efforts to help solve the housing problem for employees. Recently, the China Clock Factory selected and cleared a site to install a new production line. Party members in the factory took the

lead in the work, which was completed in 10 days. No one participating in the work asked for extra pay.

The current discussions have yielded new achievements. Leaders of the Shanghai Wristwatch and Clock Company said confidently that this year's export task will be fulfilled ahead of schedule.

The current discussions are producing an impact on other undertakings and trades in Shanghai. The party committee of the Municipal Light Industrial Bureau has called on the city's light industrial enterprises to carry out the same discussions. Twenty-four textile enterprises have issued a joint proposal on conducting the same discussions. People on the scientific and technological front have raised the question "what should people in scientific and technological circles do during the present economic difficulties?" Small scientific and technological teams have come to enterprises to help overcome economic difficulties.

Peasants on the outskirts of Shanghai are also carrying out discussions on how to make greater contributions to the rural areas next year.

Commentator Praises Workers

HK2912152689 Beijing RENMIN RIBAO in Chinese
17 Dec 89 p 1

[Commentator's article: "Make Great Efforts To Carry Forward the Spirit of Being the Master of One's Own Affairs—Commenting on the Discussions on 'What To Do at a Time When the Country Is in Difficulties']

[Text] A warm wave is flowing through the hearts of 27,000 employees of the Shanghai Wristwatch and Clock Company, which is conducting large-scale discussions on "what to do at a time when the country is in difficulties." The current discussions have enabled cadres, staff members, and workers to understand that there are still difficulties although the situation is turning for the better. They have improved their sense of urgency and enhanced their consciousness in overcoming difficulties and marching forward. Sharing the burdens of enterprises and helping the state get over its difficulties has become the conscious action of cadres, staff members, and workers. These discussions have aroused strong repercussions in Shanghai's light industrial circles and other fields. At a time when the country and enterprises are facing economic difficulties, the Shanghai workers, who have a glorious revolutionary tradition, have once again displayed their high sense of being masters of their own affairs and shown the heroic character of the leading class of the country.

We are now implementing the decision by the 5th Plenary Session of the 13th CPC Central Committee on improving the economic environment, rectifying the economic order, and deepening reform. In the course of improving and rectifying the economy, some projects are protected and others are reduced or cancelled. Therefore, some enterprises will run short of funds, will

operate at under capacity, will not be able to market their products, and will be merged or suspended. In such cases, the personal interests, income, and feelings of some employees will be affected. If this happens, they should learn from the party committee of the Shanghai Wristwatch and Clock Company. On the one hand they should explain the country's difficulties and enterprises' situation to their employees so that they will have an explicit understanding of the overall situation. On the other hand, these enterprises should rely on their employees, bring their wisdom into play, and seek ways to overcome their difficulties. Most staff members and workers have political consciousness and a sense of being masters of their own affairs. When encountering difficulties, it is best to discuss with them and ask them to offer advice.

Displaying the spirit of being the master of one's own affairs is determined by the socialist nature of our country. Ours is a socialist country and the working people are the masters of the country. The saying "everyone has a share of responsibility for the fate of his country" can become more dynamic only under the socialist system because the fundamental interests of the country and the people are closely linked. Only when the country thrives will the people live a prosperous and happy life. Therefore the people regard the country's difficulties as their own and take the invigorating of the nation as their own responsibility. The practice of socialist construction over the last 40 years has proved this point. In the early 1960's, the country faced big economic difficulties but the people did not complain. Full of confidence and optimism and led by the party, they combated these difficulties and eventually overcame them. Over the last 10 years, the people have devoted their initiative and creative spirit to reform and done their bit for socialist modernization. All this indicates that the spirit of being masters of their own affairs has become a noble virtue that has taken deep root in the hearts of the people.

The spirit of being the master of one's own affairs is a powerful spiritual force. To bring this force into full play it is necessary to rely on effective and lively ideological and political work, and to carry out ideological instillation and education. Some cadres do not regard workers as the masters of the country and their enterprises, nor do they regard serving the workers as their responsibility. Apart from this, influenced by bourgeois liberalization and the idea of "gearing all efforts to making money," some workers have lowered their sense of being masters of their own affairs. Therefore, on the one hand leaders at all levels should foster the idea of serving the people heart and soul, respect the workers' position, and provide good opportunities for them to exercise their rights. On the other hand, there is a need to strengthen their education, to advocate the spirit of "being the master of one's own affairs," of "making selfless contributions," of "carrying out hard struggle," and of "bravely undertaking heavy responsibilities," all aimed at bringing into

play the workers' initiative and enthusiasm. The experience of the Shanghai Wristwatch and Clock Company has provided us with a good deal of enlightenment.

We will enter the 1990's in several days. Our future is bright though the path ahead is tortuous. Since we have survived the serious difficulties of the 1960's, it is all the more possible for us to overcome today's difficulties. We have full confidence in overcoming them. More importantly, the whole nation should have a lofty ideal and spirit. We will certainly be able to overcome our difficulties and score victories as long as the masses' initiative is brought into full play and everyone displays the spirit of being the master of his own affairs striving to share the burdens of the country.

State Investment Companies Stress Three Aspects

*OW1001020990 Beijing XINHUA in English
1551 GMT 9 Jan 90*

[Text] Beijing, January 9 (XINHUA)—The six state investment companies, which control a half of China's investment, will concentrate their resources in three aspects this year.

The funds will be channelled so as to ensure construction of key projects, the completed projects' smooth operation and progress of the projects involving overseas funds and technology. In this regard, redundant and minor projects will be curtailed.

Energy is a key sector of investment this year. The State Energy Investment Corporation will put an extra 1.1 billion yuan into the coal industry to ensure construction and operation of new mines. New power stations with an accumulated capacity of 37 million kw are under construction, and among them 13 hydro-power stations will add a combined capacity of 12 million kw this year.

The State Raw Materials Investment Corporation will maintain similar operations as last year. The investment will mainly go to iron and steel, non-ferrous metals, chemical fertilizer, chemical materials, cement and pharmaceuticals.

In the sector of machinery, electrical equipment, light industry and textiles, investment will mainly be used for increasing the production of pulp, chemical fibers, salt, detergent, the manufacture of important advanced equipment and the production of China-made parts and components to feed imported automobile and color television production lines.

In the sector of transportation, the State Transportation Investment Corporation will invest its funds in construction of 24 deep-water berths, 53 medium-sized and small berths, 2,000 km of highways and completion of four airports.

Investment Corporations Projects Begin Operation

*OW0801182790 Beijing XINHUA in English
1056 GMT 8 Jan 90*

[Text] Beijing, January 8 (XINHUA)—With an investment of 35.85 billion yuan, the six state specialized investment corporations last year helped build and put into operation 673 projects vital to the growth of China's national economy, a spokesman for the corporations announced here today.

The money has also sped up the construction of key state projects in energy, transport, raw materials, machinery and electronics, light and textile industries, agriculture, and forestry, the spokesman said.

The six state investment corporations, which were set up in May 1988 with State Council approval, are responsible for financing the building of major energy, transport, raw materials, machinery and electronics, light and textile industries, agriculture, and forestry projects.

According to the spokesman, among the newly-operating projects are 34 coal mines, 38 electrical plants, 53 berths and seven airports. The other projects include 14 in raw materials; eight medium and large machinery, electronics and textile projects; 287 agricultural projects and 65 forestry projects.

More Transregional Economic Associations Formed

*OW1001043990 Beijing XINHUA in English
0215 GMT 10 Jan 90*

[Text] Beijing, January 10 (XINHUA)—A hundred and four transregional economic associations have been built in China in the course of the on-going drive to improve the economic environment and rectify the economic order.

Of the 104 associations, 60 organize production beyond the jurisdiction of provinces and autonomous regions, and the remainder have promoted economic ties among several cities in the same provinces.

These associations fall into four categories—multi-field economic cooperation, exploitation of natural resources, export-oriented production and rural-urban co-operation.

Incomplete statistics show that inter-regional economic co-operation helped China to produce an additional output value of 126.6 billion yuan during the 1986-88 period.

Economic associations in China's 20 provinces, cities and autonomous regions signed a total of 30,000 economic and technological contracts involving six billion yuan in total in the first half of last year.

These associations have played an important role in adjusting China's economic structure and distribution, and in promoting a healthy economic development in China, according to leading Chinese economists.

Expansion of transregional economic and technological co-operation is an outcome of the development of a commodity economy and an important part of China's economic reform, the economists said.

Coastal Province Reforms To Continue

HK0601021590 Hong Kong SOUTH CHINA MORNING POST in English 6 Jan 90 p 8

[By Willy Wo-lap Lam]

[Text] Beijing will continue to promote reform policies in Guangdong and other coastal provinces, but no radical experiments will be contemplated, according to officials taking part in an on-going economic conference in the capital.

A conference on economic reform called by the State Commission for the Reform of the Economic Structure (SCRES), a State Council ministry, concluded that the coastal provinces, as an "experimental zone" for the nation, should be allowed to go one step ahead of the rest of the country.

However, a vice-minister of SCRES, Mr He Guanghui, warned that in the coming three years or more, the energies of the nation should be concentrated on "curing and restructuring the economy".

"Reform should only be pursued with (the goal of) curing and restructuring as the core," Mr He said during the conference, which ends on Monday.

"In the area of reform, instead of aiming for new-fangled goals and high speed, we should do more practical things with our feet firmly rooted in the ground."

According to conference participants, the overall directions for economic reform in 1990 have been laid down.

Firstly, reforms in Guangzhou, Fujian and Hainan will be further developed. The same applies to cities such as Shenzhen whose budgets are directly approved by the central Government.

The stock system will be tried out in a minority of enterprises, specially those in the more well-off cities.

However, analysts say that some new measures actually amount to a retrogression in reform.

For example, in many enterprises the responsibility system—one of the major legacies of the reform of ousted party chief, Mr Zhao Ziyang—will be abolished in favour of the so-called "system of the separation of tax and profits".

Under the latter, enterprises will be obliged to surrender to Beijing a much higher level of financial contributions.

Zheng Tuobin Discusses Foreign Relations, Trade

OW0601050990 Beijing Domestic Service in Mandarin 0530 GMT 2 Jan 90

[“Radio Talk” by Zheng Tuobin, minister of foreign economic relations and trade, on China's foreign economic relations and trade in 1989 and prospects for 1990—recorded]

[Text] The year 1989 is gone. On behalf of the 60,000 staff members and workers at China's Foreign Trade Department, I wish all listeners a happy New Year.

China attained gratifying achievements in promoting foreign economic relations and trade this last year. In the area of foreign trade in 1989, we encountered such problems as rising prices in the domestic market, a shortage of capital funds, reduced sources of raw materials and finished products for export, and a short supply of energy and raw and processed materials for the production of export products. In particular, foreign trade was adversely affected by the turmoil and counter-revolutionary rebellion in Beijing from April to June, and the subsequent economic sanctions imposed on us by some Western developed countries further worsened our problems.

Under the leadership of the party's Central Committee and the State Council, however, all local governments and all departments concerned worked hard to coordinate their efforts. The vast number of staff members and workers in the Foreign Trade Department throughout the country resolutely implemented the principle of improving the economic environment, rectifying the economic order, and deepening the reform; strived to improve the foreign trade environment and order; displayed a courage to overcome difficulties, as well as optimism and a spirit to keep forging ahead; and worked hard to make up for the losses caused by the turmoil and rebellion. As a result, export began to pick up in the second half of the year achieving comparatively good results.

As of 20 December, according to statistics compiled by the Ministry of Foreign Economic Relations and Trade, China's export trade volume was \$40.8 billion, up 7 percent from the corresponding period of 1988. The import volume was \$34.3 billion, about the same as that for the corresponding 1988 period. The trade surplus continued, and the state's foreign exchange holding increased a great deal [you jiao duo zeng jia].

China also continued to attract more foreign investment. In the first 11 months of 1989, we approved 5,224 new foreign investment projects in China, an increase of 9 percent over the corresponding 1988 period. The foreign investment agreed upon for the year amounted to \$5.1 billion, an increase of 27 percent over the preceding year; while the actual amount of foreign investment made in China was \$2.7 billion, an increase of 26 percent. Of the newly approved projects, there are more large projects with investment exceeding \$100 million than in any

previous year. The total number of newly approved completely foreign-owned enterprises in the year exceeded the grand total of all previous years.

Since we encourage enterprises with foreign capital to export their products, the export volume of joint ventures, cooperative enterprises, and completely foreign-owned enterprises more than doubled that of the corresponding period for the previous year, showing their successful efforts to increase export.

These achievements indicate that the situation in our country is stable, that foreign investors have confidence in China, and that our policy of attracting foreign investment is successful and can stand the test of time. They also show that our daily improving investment environment, great market potential, and cheap labor are attractive to foreign investors. In addition, new developments were also made in all other foreign economic cooperation undertakings.

Our foreign trade achievements in 1989 were made in the course of persisting in opening to the outside world, implementing the central authorities' policy of improving the economic environment, rectifying the economic order and deepening the reform, and opposing the economic sanctions imposed on us by some Western developed countries. These achievements also show that we have a great ability to cope with emergencies in foreign trade, that the friendly and cooperative relations between our country and the industrial and commercial circles of foreign countries are solid, and that we are able to overcome difficulties and continue our advance.

In 1990, we must continue to make progress in the area of foreign economic relations and trade. First, we must maintain the steady growth in export trade. We need more foreign exchange to fund necessary imports, as well as to be self-reliant in the building of some important projects after the governments of some Western developed countries reduced their loans to us. For this reason, increasing export is a strategic task for us in persisting in reform and opening to the outside world, resisting the economic sanctions imposed on us by Western nations, guaranteeing the supply of foreign exchange for our modernization program, and maintaining a steady economic development.

In order to accomplish such a task this year, we must overcome a number of difficulties. However, we also have many conditions in our favor. First, after the counterrevolutionary rebellion was put down, our party successfully convened the 4th and the 5th plenary sessions of its 13th Central Committee. The political situation of stability and unity in our country has been further enhanced. Our principle and policy of continuing reform and opening to the outside and of actively promoting foreign economic cooperation and trade have been welcome in the international community. Second, we recently made a large readjustment of the exchange rates between renminbi and foreign currencies; the rates

now have gradually become acceptable in the international market. This readjustment will play a positive role in increasing export, attracting foreign investment, and developing economic and technological cooperation with foreign countries. Third, in the course of implementing the CPC Central Committee decision on further improving the economic environment, rectifying the economic order, and deepening the reform, economic relations in all fields at home will be further readjusted, the economic environment and order will become better, and the inflation and rising trend of commodity prices domestically will be curbed. At the same time, the contradiction between the domestic sale and export of many products will be alleviated, and the sources of export goods will relatively increase.

The investment environment in China and our legislation concerning foreign economic relations have been constantly improved. In particular, the State Council has already proposed to the Standing Committee of the National People's Congress that the law on Chinese-foreign joint ventures be revised. It has further reiterated that China will not nationalize any enterprises with foreign capital, that the duration of Chinese-foreign partnership is unlimited, and that both Chinese and foreigners may serve as chairman of the board of directors. This is another major step toward opening China wider to the outside world and to attracting foreign investment. It will surely have an important impact.

Generally speaking, the situation with regard to the world economy and the international market in 1990 remains favorable to our development of foreign economic relations and trade. Most countries in the world are willing to develop economic relations and trade with China. Even in those countries which are imposing economic sanctions on us, most businessmen and industrialists are willing to continue developing economic relations and trade with us. All of this provides good opportunities for us to develop foreign economic relations and trade. We are convinced that as long as we continue to display the courage of pioneers and the scientific spirit of bold exploration and to seriously implement the central authorities' principles and policies, we will accrue even greater achievements in promoting foreign economic relations and trade in the new year.

Overseas Investment Declines in 1989

*HK901123590 Beijing CEI Database in English
9 Jan 90*

[Text] Beijing (CEI)—Overseas investment in China dropped for the first time in the past decade by 25 percent to 12 billion U.S. dollars of contracted value in 1989.

According to government sources, about 6,000 foreign-invested projects were registered last year, approximately the same as the previous year. The total contracted value, however, was much lower, especially of the newly-signed overseas loan projects which plunged 30 percent.

Analysts here attributed the drop to the retrenchment policies China has adopted, including the curtailing of fixed assets investment and control over rmb yuan loans, and economic sanctions imposed by some western developed countries in the latter half of 1989.

Analysts also predicted that along with the improvement of China's investment environment and Sino-foreign relations, overseas investment will increase in 1990. They said China will continue to give preferential treatment to foreign investment and Sino-foreign cooperation.

Import Restrictions Continue for Trade Balance

HK0901121990 Beijing CEI Database in English
9 Jan 90

[Text] Beijing (CEI)—China will continue to restrict imports this year in efforts to balance its foreign trade.

The restriction introduced by the Chinese Government in the latter half of last year resulted in a moderate increase of 9 percent of the country's imports last year against an increase of about 11 percent for exports.

Though import increases will still be permitted for some much-needed materials including energy, farm-use materials, rolled steel and non-ferrous products, restrictions will be imposed upon the import of machinery and electronic products, building materials and consumer goods.

Car Export Prospects Unlikely To Attract Buyers

HK1001025390 Hong Kong HONGKONG STANDARD (BUSINESS STANDARD) in English 10 Jan 90 p 3

[By Cheung Lai-kuen]

[Text] A Chinese-made vehicle, the Santana, now being displayed at a Shanghai product fair here, does not seem likely to attract many buyers.

A Shanghai delegate at the fair, said the producer—a Sino-West German joint venture—had been finding it difficult to obtain export markets for the vehicle.

The delegate, who requested anonymity, explained the same could be said for all joint-venture vehicles made in China.

The delegate who was attending the Shanghai Fair, which ends today, said exorbitant production costs of China-made vehicles weakened their competitive power in the international market.

Production costs in China were markedly higher than in most car-producing countries, such as Japan, the world's largest manufacturer and exporter.

He attributed the reason to China's vehicle industry being dependent on importing the majority of the components from foreign countries. The remaining components were made on the mainland, but again production costs were even higher than the imported parts.

A China trader said the production cost of a small vehicle part was more expensive in China than in any other country. He said a China-made vehicle would be more expensive than even some of the more popular foreign models on the market, as a result of the expensive home-made components.

The trader cited the Beijing jeep as an example. The market price of a Beijing jeep was about 220,000 yuan (about U.S.\$46,000) last year—more expensive than a jeep in the United States, he said.

And the Shanghai-made Santana costs more than U.S.\$20,000 in the market currently.

But the trader said China insisted on manufacturing a part of these components instead of importing them because Beijing hoped to gradually localise its vehicle industry.

The Shanghai delegate said the high production cost of components had been aggravated as a result of huge capital and human resources being invested in their manufacture. But reasons such as inadequate technology had resulted in their being unable to produce on a mass scale.

Guangzhou Peugeot Plant Resumes Production

HK0601030390 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English
6 Jan 90 p 1

[By Geoffrey Crothall]

[Text] Guangzhou Peugeot will resume production today after a stoppage of two months, its general manager, Mr Bruno Grundeler, confirmed yesterday.

Mr Grundeler was informed yesterday that the Sino-French joint venture had been granted import licences for 5,000 vehicles this year, 300 more than last year.

"We are not totally satisfied with this year's quota, but we will continue to negotiate with the Chinese Government and hopefully obtain more import licences later in the year," Mr Grundeler said.

Meanwhile, Shanghai Volkswagen, the largest West German joint venture in China, has announced record profits and its highest-ever annual production figure of 15,687 vehicles for last year, a five percent increase over 1988.

However, the figure is still 1,313 lower than the company's production quota for last year and 4,313 lower than the figure stipulated in the original joint-venture contract.

Managing director Mr Wang Rongjun said Shanghai Volkswagen planned to produce 17,000 vehicles this year, the production quota designated by the central government last month.

Despite the failure of one of Guangzhou Peugeot's Chinese partners, the China International Trust and Investment Corp (CITIC), to raise its equity capital in the company last year, Mr Grundeler said Guangzhou Peugeot was still financially viable.

"We have no financial problems at the moment and will be getting additional export credits from France in the near future," he said.

"1990 will be a difficult year, but we are very optimistic about the future. It certainly can't be any worse than 1989," he added.

The central government's retrenchment of domestic demand for luxury goods last year caused massive stock-piles of cars to build up.

Guangzhou Peugeot stopped production on November 4 last year after fulfilling its production quota for the year and being refused additional import licences.

Shanghai Volkswagen could operate at only 50 percent capacity throughout much of the third quarter of last year, and was forced to halt production entirely for the first two weeks of October due to an oversupply of 3,000 vehicles.

Eventually, Beijing was forced to launch a one billion yuan (about HK\$1.65 billion) "emergency purchasing plan" to buy up nearly 8,000 unsold vehicles.

In addition, China's major automotive ventures have all benefited from substantial Bank of China loans, granted in November.

"The central government is certainly relaxing its grip on Sino-foreign automotive ventures and making it easier for state institutions and enterprises to buy vehicles," said an official from the Shanghai Automobile and Tractor Industries Corp, which has a 25 percent take in Shanghai Volkswagen.

He said: "1990 will undoubtedly be a tough year for the industry, but I think the central government has now been convinced too much control is a bad thing."

Hong Kong Investors Boost Mainland Toy Industry

HK1001021790 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English 10 Jan 90 p 3

[By Amelia Cabatit]

[Text] Hong Kong's toymakers are boosting investments in China to meet rising demand from the United States and Europe, said Hong Kong Toys Council chairman Dennis Ting.

"The toy industry is beginning to reinvest and expand productions in China," he said.

Speaking at a toy seminar yesterday, Mr Ting said general retail sales in the U.S. for the Christmas season were good with an unexpected 11 percent rise in December sales after two slow months.

He predicted this year's sales to the U.S., European Community, Eastern Europe and Japan would improve despite the economic slowdown.

However, other manufacturers have projected that any growth would be marginal.

Kader Industrial, of which Mr Ting is chairman, is among those companies interested in stepping up production in China to meet the rising demand.

Mr Ting said the company was looking at the potential of setting up a factory in Urumqi, capital of the northern Xinjiang Province. However, he declined to say if Kader would be making any new Chinese investments this year.

About 70 percent of Hong Kong's toy production is across the border. Despite falling domestic exports in the past two years, overall toy sales have been rising if mainland production is accounted for.

Strengthening links with China are expected despite moves by manufacturers to expand in Thailand. Kader, for example, has a 40 percent share in Thai Chui Fu, which hopes to be listed on the Thai stock exchange by March.

Meanwhile, the joint managing director of Playmates Holdings, Mr Paul Kwan, said sub-contracting work with China, Macao and Hong Kong manufacturers would rise when production for its new line of toys came on stream at the end of the year.

Land Transfer Plan To Attract Foreign Funds

OW1001015090 Beijing XINHUA in English 1312 GMT 9 Jan 90

[Text] Beijing, January 9 (XINHUA)—China will offer more plots of land to be leased to foreigners, a senior official said here today.

Wang Xianjin, director of the State Land Administration, said that this year most provinces, autonomous

regions and municipalities will select some cities to conduct transfer of land-use rights.

Since 1987, when the State Council approved experimental land leasing in the coastal regions, over 120 plots of land have been leased in nine coastal provinces and cities.

The total area has reached 700 ha, while the state has collected 740 million yuan (about 155 million U.S. dollars) in rent.

Some 85 percent of this area has been leased to foreign entrepreneurs or joint ventures in China, Wang said.

To ensure fair competition on the land market, China has adopted the common international practice of auctioning and public bidding as well as direct contract. About 40 percent of the transferred land was leased via auction or public bidding.

Furthermore, 14 coastal provinces, cities and development zones have enacted their own regulations concerning land transfer to protect the interests of both the state and the buyers, Wang said.

Textile Minister Discusses Domestic Market

HK1001010190 Beijing RENMIN RIBAO in Chinese
4 Jan 90 p 2

[Report by staff correspondent Mo Xinyuan (5459 2450 0337): "There Should Be Garments With New Patterns and New Materials—An Interview With Wu Wenying, Minister of Textile Industry"]

[Text] A few days ago, the Minister of Textile Industry, Wu Wenying, answered questions raised by our staff reporter concerning the current domestic market situation of textile products, and countermeasures to be adopted.

Reporter: In terms of the current domestic garment material market, some garment materials sell sluggishly while others, which are really well received by customers, are in extremely short supply. Several new product fairs were sponsored in Beijing last year and the strong desire to buy on the part of customers formed a sharp contrast against sluggishness on the market. What does this phenomenon show?

Wu Wenying: This phenomenon does exist. It shows that we should pay closer attention to readjusting the industrial structure. In fact, in the last 2 years, readjusting the product mix has always been one of the priorities in our work. This is because our textile industry has been facing pressure from two sides: Raw materials (mainly shortages in cotton supply) and the market. The following are ways to cope with the situation, such as increasing the proportion of use of chemical fibers, using more non-cotton fibers, such as ramie fabric and rabbit's wool, developing more blend fabric or interwoven products, and reducing the content of wool in wool spinning products (currently such products contain about 50

percent of wool in our country and just 30 percent in developed countries). As far as products are concerned, stress was put on developing more finely, thinly, and intensively processed products (referring to intensively processed products such as garments) and widening the gap of product grades so as to meet the needs of different consumption levels.

Of course, this will have a process of development and cannot be accomplished in one move. Recently, many cities have worked out rules and regulations concerning readjustment of the product mix. For example, Shanghai strived to readjust the mix of one-fourth of its total products in 2 years. This is no easy job, but compared with market demands perhaps there is still a long way to go.

Reporter: When it comes to widening the gap of product grades, it seems to me that the development of garments has gone ahead of that of materials in the last 2 years. Does this phenomenon relate to the fact that a more flexible economic policy is being pursued toward the clothing industry? When gathering news about new product fairs, I found that some enterprises lack a motive force in developing the varieties and patterns of garment materials and some simply admitted that they participated in the fairs in order to "hawk their products even though they have to suffer losses in business."

Wu Wenying: In reality, in the last 2 years, apart from putting the prices of textile products necessary for people's daily life under strict control, the state has introduced quality and variety price differences. Therefore, so long as the quality of their products is good and varieties novel, enterprises are in a position to gain fairly good economic results. Some enterprises failed to accelerate industrial structural readjustments, mainly because they have been influenced by the product economy which has been in place for many years and lacked a strong sense of the market and a sound awareness in competition. Moreover, they were still ready to mass-produce goods with fewer varieties and feared risks in developing new products if they did not want to take the trouble.

In 1987 when I went to a printing and dyeing mill, it was sponsoring an order-for-goods fair. Having a glance at it, I found most of the products exhibited at the fair were out of fashion. I was told that the products bearing phoenix and peony patterns were mainly sold in the countryside. Can these not be changed after being in use for so many years? Although villagers are fond of products bearing propitious patterns, their tastes have changed in recent years and they also like products with simple but tasteful patterns. Some of our enterprises are always complaining that our commercial procurement agents have poor judgment. In fact what matters here is whether or not an enterprise can turn out more and better products. This being the case, what is most important remains to be the question of concept.

Reporter: Can we say that now the problem of driving force can be easily solved since there is market pressure? It will simply not work if one does not get moving.

Wu Wenying: You can say that. When it comes to the market for textile products, as I see it, it is more accurate to describe it as "becoming a bit more flexible." In the past, the market was a sellers' market in which there were buyers for whatever products were turned out. Under these circumstances, who would bother making great efforts to readjust the product mix? So, we should make use of this market situation and improve the quality of enterprises so that our product mix can become more and more rational.

Practice in the past year has shown that readjusting the product mix at regular intervals will help not only raise the economic results of enterprises but also bring about good social benefit [she hui xiao yi 4357 2585 2400 4135]. For example, in light of the strong point in local resources, Hubei has energetically developed ramie products, thus both easing strains on cotton supply and forming a new sector of textile products. In 1988, as far as the cotton spinning industry was concerned, every single increased cotton yarn meant not only improving product grades but also turning out 1 million cotton yarn more under the same quantity of cotton supply. In 1989 the export of textile products registered an increase of more than 10 percent over the same period of the previous year, of which the export of intensively processed products constituted 58 percent or 5 percentage points higher than the previous year. All the facts show that readjusting the product mix is not only necessary for the present improvement and rectification program but also in line with the strategic need for the development of the textile industry.

Reporter: Can you say something about the prospects for the domestic market situation for textile products in 1990?

Wu Wenying: According to our analysis, total sales of textile products on the domestic market in 1990 will increase steadily, of course, in terms of general quantity. Which specific products will rise or drop in output depends on how soundly enterprises readjust the mix of their own products. The aim of the Ministry of Textile Industry in designating the year 1990 as "variety and quality year" is to further promote enterprises to orient themselves to market needs, improve product quality, readjust the product mix, and meet the needs of different consumption levels in the new year.

Minister Stresses Efficiency in Rural Industry

OW0901084490 Beijing XINHUA in English
1298 GMT 8 Jan 90

[Text] Beijing, January 8 (XINHUA)—China's rural enterprises must become more efficient, today's "ECONOMIC INFORMATION" quoted Minister of Agriculture He Kang as saying.

Improving efficiency is the central task of rectifying China's rural industry, he said, adding that over the next two years or longer, rural enterprises should meet several major targets.

While improving their quality and efficiency, rural enterprises should maintain growth at about 15 percent.

The industrial structure must be readjusted. The agricultural and side-line product processing industry and energy, raw materials and export-oriented production enterprises and enterprises producing components for larger enterprises should be developed. Those which consume excessive amounts of energy and raw materials and turn out poor quality products or cause environmental pollution will be closed or rectified.

Technical upgrading must be improved; enterprise management must be strengthened; and consumption of energy and materials must be reduced.

The contract responsibility system must be perfected; the tendency to pursue short-term benefits must be overcome; and the enterprises must improve their ability to develop without assistance.

To achieve these goals, He Kang said wrong decision-making should be avoided, management over investment tightened and general control and regulation strengthened.

Commodities Retailer Finds Booming Business

HK1001032290 Beijing CHINA DAILY in English
8 Jan 90 p 4

[By Cai Yan]

[Text] A newborn baby, tender and imbued with vitality, never fails to draw attention. It is all the more true with Xiangyun Refined Chinese Goods Market, for it is the first of its kind throughout the country, though it surely will not be the last one.

Located on Xidan Street, one of Beijing's busiest shopping centres, the 1,200-square-metre store offered an array of 6,000 home-made products during the first month of its sales. According to Zhang De, deputy manager of the market, another 600 have been added this month.

These include products from Hong Kong, Macao, and Taiwan, but most come from the mainland. Goods produced by joint ventures account for only a very limited portion, while Shanghai, Guangdong, Fujian, and Qingdao head the list of those manufacturers producing the goods.

"It is impossible for a large country like China to rely entirely on imported goods," said Shen Jun, general manager of the market. "National industries must be boosted so as to promote the domestic economy. For this purpose, an agreeable home market is called for," he added.

Recently, there has been in China a growing agony over a funds leakage in its economic circulations. With increasing sales of imported goods and luxury goods, such home industry producers as video and electronics factories are driven into a tight corner. Some are going bankrupt, and others on the verge of closedown.

It is, however, not necessarily that Chinese products are no match for imported items. Take a five-watt transformer for example. The power of the item made at home actually ranges from five to eight watts, while that of the Japanese is strictly confined within the stipulated standard. The former thus costs more and faces harsher competition, though it is of better quality.

With the recession of home industries and commerce, the first refined Chinese goods market came into being, sponsored by the Beijing-based Xiangyun corporation, which was originally involved in computer development.

To select high-quality national products, a letter of intent was signed with the Ministry of Light Industry to establish a data bank. At present, the bank is at its preparatory stage, inputting a catalogue of refined Chinese commodities into computers. Meanwhile, it is already exerting its guiding function, furnishing the market with up-to-date information.

"Most products covered in the catalogue are medal-winners in appraisals held by the Ministry of Light Industry," said Qu Jianhui, office director of Xiangyun Corporation. "Others are collected through all possible channels from all over the country."

Qu cited the Lishen instant coffee as an example, which is produced by Hainan Lishen Coffee Factory.

With a production line imported from Denmark and with advanced technology as well as first-rate raw materials, Lishen soon became China's top coffee brand. News reports came in showers, and the Ministry of Light Industry recommended it to Xiangyun. This resulted in a co-operative relation between Xiangyun and the factory.

Consultative Service

"The director and a chief engineer have just been here to gather information," Qu told CHINA DAILY, "and we've also given advice and suggestions on the quality demand as well as the package and design."

In this respect, the data bank not only helps to replenish stock, but the consultative service contributes to enhance the quality of home products.

To go with the data bank, an expert committee of 20 people was set up to recommend high-quality goods and draft the market's commodity inspection standards.

"Consumers can set their mind at ease here with our expert committee in operation," said Shen Jun. "Besides, we replenish our stock directly from the producers."

Xiangyun is doing its utmost to extend its influence. By the end of last year, 300,000 yuan had been spent in publicity work and advertising in newspapers, on radio and on TV.

Good service is another characteristic of the market. The 100 salesmen and women are selected from about 1,000 applicants, and have received training in make-up, posture, language, and consumer psychology.

Ever since its opening, Xiangyun has been drawing wide interest. On the first day, the store was so jampacked that the security personnel feared that customers might get bruised. The total sales of the day added up to 58,000 yuan, and it doubled on the second.

The favor does not seem to cool down. Every day long before the opening hour throngs of people can be seen waiting for 9 am sharp.

The total sales during the first month mounted to 1.8 million yuan, it is estimated to reach 20 million yuan this year.

To this day, 20-odd provinces and cities have invited Xiangyun to set up branches there, among which are Harbin, Guangzhou, Xiamen, Guizhou and Changsha.

Wang Yunfei, general manager of the Xiangyun Corporation, has in mind a big project of 40 chain stores throughout the country, and at present negotiation is being held in Shanghai.

"The second Refined Chinese Goods Market is now under construction in Caishikou, Beijing," said Shen Jun. "It'll open in April if everything goes smoothly."

Government officials highly praise the building of the market as "a constructive drive and a great ideological leap-forward." For times in history, China had adopted a hostile attitude towards foreign products. In the 1920s and '30s, for example, radical boycotts were put up against foreign products.

Still, leading members of Xiangyun have their discontents. For one thing, there is a shortage of space, being situated in the city's shopping centre where every inch of land is precious. As a result, varieties displayed and sold are limited.

"The preparatory stage Xiangyun went through was extremely short," said Shen Jun. "We've got to keep adjusting."

In any case, a baby staggers before he strides, and Xiangyun will learn to walk fast.

Zou Jiahua, Wang Bingqian Attend Energy Meeting

*OW1001121190 Beijing XINHUA Domestic Service
in Chinese 1240 GMT 8 Jan 90*

[By RENMIN RIBAO reporter Liu Xieyang (0491 3610 7122) and XINHUA reporter Zhao Mingliang (6392 2494 0081)]

[Text] Beijing, 8 Jan (XINHUA)—State Councilors Zou Jiahua and Wang Bingqian today came to the ongoing national conference on energy to meet with more than 400 representatives from the coal mining, electric power, petroleum, and nuclear industries. They encouraged the participants to tap internal potential and do everything possible to raise the energy industry's labor productivity and economic efficiency.

The two state councilors paid tribute to, and thanked, the masses of workers and staff members of the energy industry for their outstanding contributions to the state in 1989. They also praised their spirit of working hard under difficult conditions.

The energy front achieved gratifying results in 1989. The output of crude coal and electric power set in the Seventh 5-Year Plan was fulfilled a year ahead of schedule, an increase of 6 and 7 percent respectively over the previous year. Construction of nuclear power plants proceeded smoothly, and production of petroleum also increased. At the same time, energy is still confronted with many difficulties. For example, it lacks the capacity for steady development; financial deficits among energy enterprises are universal; their economic efficiency is poor and labor productivity, low; all these are seriously impeding the energy industry from developing steadily.

In view of this situation Zou Jiahua pointed out: Energy is an important branch of industry. The state should give priority to supporting the development of this industry. However, because the state's financial resources are limited, it is unrealistic to rely on massive state investments in this industry over a short period. Therefore, the energy industry should strive to develop by relying all the more on tapping internal potential.

According to a source, the energy industry has considerable potential to raise economic efficiency and labor productivity. A comparison between advanced and backward enterprises shows that there is a big gap between them in terms of labor productivity, material consumption, and construction cycle. For example, the labor productivity of Jincheng and Luan mining bureaus in Shanxi Province is 3 times the average labor productivity of the state-controlled coal mines throughout the country. China-made 200,000-kilowatt thermal generating units consume an average of 394 grams of standard coal in generating a unit of electricity, but some units have set a lowest record of 378 grams of standard coal. In construction of coal mines, the fastest rate of construction is 40 months for a 1 million metric tons capacity

coal mine before it could go into production, but in some areas the construction cycle for a similar mine exceeded 100 months.

Zou Jiahua called on energy enterprises to adjust their structures during the period of improving the economic environment and rectifying economic order and to strive to solve the problems of disproportionate coal mining and of insufficient petroleum reserves. The power industry should develop both thermal and hydroelectric power stations. Attention should be paid to accelerating the development of the latter.

In his speech, Wang Bingqian briefed the participants on China's current financial and economic situation. At the same time, he called on everyone to pay attention to raising economic efficiency and to strengthen the implementation of measures to improve the economic environment, rectify economic order, and deepen reform, to bring about sustained, steady, and coordinated development of the energy industry and the national economy.

Plan Calls for Development of Hydropower Stations

*HK0901023690 Beijing ZHONGGUO XINWEN SHE
in Chinese 0923 GMT 7 Jan 90*

[“China Will Speed Up the Construction of Hydropower Stations in the 1990's—ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 7 Jan—A responsible person from the Planning Department of the Ministry of Energy Resources said that hydropower resources will be put to full use in the coming 10 years. Speeding up the construction of hydropower stations will be taken as a basic strategy in China's energy industry, with the aim of raising its hydropower exploitation rate from the present 8.4 percent to about 20 percent.

According to a survey, exploitable hydropower resources throughout the country amount to 380 million kilowatts, but 90 percent of them are in the southwestern and northwestern regions of the country, where hydropower exploitation is very difficult.

The Ministry of Energy Resources has drawn up a hydropower development plan, which includes building large hydropower stations in the upper reaches of the Huang He, along the tributaries of the Chang Jiang, and along the Hongshui He and the Lancang Jiang, to be completed in 10 years with an initial generating capacity of 25 million kilowatts.

In the meantime, small and medium-sized hydropower stations will be built in regions where energy is short but hydropower resources are adequate. These small and medium-sized hydropower stations will be completed in 10 years and are expected to generate 10 million kilowatts.

In addition, a number of pumped-storage [chou shui xu neng 2132 3055 5552 5174] hydropower stations will be

built within the electric power network in the eastern, northern, and northeastern regions of the country.

Petrochemical Industry Vows To Meet Debt Schedule

HK1001040490 Beijing CHINA DAILY in English
9 Jan 90 p 2

[By staff reporter Xu Yuanchao]

[Text] China's petrochemical industry called the mainstay of the nation's economy, has pledged to pay its debts on schedule. The industry is approaching a peak repayment period next year.

A spokesman for the China Petrochemical Corporation (Sinopec) said the government is allowing the company's four 300,000-ton ethylene plants to sell their petrochemical products to domestic and international markets for foreign exchange.

This is one of the policies granted the industry to help it pay its debts. Others include some preferential treatments in tax collection, foreign exchange earnings and pricing.

He told CHINA DAILY the corporation has the ability to pay off all the debts at maturity.

Sinopec had paid back some of its debts ahead of time in the past two years.

The spokesman said his corporation will be cautious in borrowing from foreign banks and will control the amount of debts.

Although a few of its products such as plastics did not sell well in either domestic or international markets, the corporation has fulfilled its target of renminbi and foreign exchange earnings in the past year, he noted.

China is rich with oil and gas resources but the development of the petrochemical industry cannot meet the demand of industrial and agricultural production.

The State has to spend \$3 billion each year on imports of plastics, chemical fibres and petrochemical products.

Last month, a 300,000-ton ethylene plant in Shanghai, the country's fourth such plant, went into trial operation.

The four ethylene plants built in Heilongjiang, Shandong and Jiangsu provinces in the past five years have altered China's dependence on imports.

The four plants have increased the country's ethylene production capacity to 1.8 million tons, ninth in the world.

The production capacity for plastics has risen from 500,000 tons to more than 1.3 million tons annually and synthetic fibre from 240,000 tons to 400,000 tons.

He attributed Sinopec's successes to the open policy and economic reforms.

Sinopec's has used "a certain amount of foreign capital" to build the four plants. Most of the funds come from the Bank of China, foreign governments and financial organizations, he noted.

In 1991, Sinopec will reach its peak repayment period. The spokesman said the corporation has fixed assets worth 60 billion yuan (\$12.7 billion) with annual sales of 55 billion yuan (\$11.7 billion). It has also controlled production of 80 million tons of petrochemical products.

Chemical Industry Gathers New Momentum

OW1001101890 Beijing XINHUA in English
0904 GMT 10 Jan 90

[Text] Beijing January 10 (XINHUA)—China's chemical industry expanded in the past year, with production quotas of major products fulfilled or exceeded, a spokesman for the Ministry of the Chemical Industry announced here today.

Last year, the value of the industry's output was 71.2 billion yuan, a rise of 6 percent on the figure for 1988.

China turned out 86 million tons of fertilizer, 13.8 million tons of phosphate ore, 200,000 tons of pesticide and 690,000 tons of polyvinyl chloride in 1989, an increase of 3 percent, 18.8 percent, 9.3 percent and 20.4 percent respectively on the figures for the previous year.

Meanwhile, production of primary chemical materials and other chemical products also increased greatly, with sodium carbonate, caustic soda and sulphuric acid amounting to 2.95 million tons, 3.24 million tons and 11.2 million tons respectively.

Last year, China earmarked more than four billion yuan for building the chemical infrastructure and for technical renovation. Several state projects were completed and put into operation.

Minister Assesses Agricultural Potential

HK1001073590 Beijing RENMIN RIBAO in Chinese
25 Dec 89 p 2

[Article by staff reporter Wu Changsheng (0702 7022 3932): "Strive To Make a Breakthrough in Agriculture—An Interview With Minister of Agriculture He Kang (0149 1660)"]

[Text] "There are only a few days to go before this year ends and the general situation of agriculture is ready for assessment. As the Minister of Agriculture of this agricultural power, what do you have in mind at the moment?"

Minister He Kang had probably not expected my interview to start this way. After a pause for reflection, he replied in a ringing tone, "Looking back at the past year, I am gratified; looking ahead to the coming 1990, I find myself in a position of great responsibility. It has been a somewhat mixed feeling of joy and worry, but nothing of

relief?" He paused again and then, with a hand gesture showing determination, continued, "We have confidence in another breakthrough in agriculture next year."

"As is known to all, the recent 5th Plenary Session of the 13th Central Committee paid exceptional attention to agriculture and stressed that the steady development of agriculture is a basis for economic, political and social stability and also the key to economic restructuring. That the central authorities have attached such importance to agriculture is a great encouragement to our sector."

"As a matter of fact, agriculture headed into the lime-light in the second half of last year," commented Comrade He Kang on this year's agricultural situation, "because party committees and governments at all levels conscientiously implemented the resolution of striving for a good agricultural harvest, which had been passed by the Central Conference on Rural Work. They strengthened their leadership over agriculture, increased investment therein and took some practical and effective measures for boosting agricultural yield, especially that of grain. In addition, the weather conditions in most parts of China were favorable. As a result, the total grain yield this year reached over 400 billion kg, almost equal to the record. Other aspects of agriculture have also progressed to various degrees. The overall economic situation in the rural area is good. Here, I would like to express my thanks to leaders at all levels, cadres in the agricultural sector and, particularly, the farmers who have toiled away for a whole year."

As to the main target of agriculture for 1990, the minister said. "The target is, in a word, striving for another good harvest of crops, especially grain and cotton. The prime goal is an increase in grain yield by 7.5 billion kg, overtaking the record level, and that in cotton yield by 8 million dan. This entails another breakthrough in production capacity."

What is the chance of this breakthrough?

"I believe we have the conditions that make the breakthrough possible. What counts is an unequivocal guiding ideology and effective implementation of relevant measures."

He Kang said, "The guiding ideology for fulfilling next year's agricultural quota is to strive for a balanced increase in yield of oil and sugar crops and other major cash crops, and a further steady growth of animal husbandry, fishery, land cultivation and town and township enterprises, all under the prerequisite of a good harvest of grain and cotton."

The way to highlight grain and cotton production was put briefly by the Minister as "three enhancements based on stabilization and three focuses." This includes enlarging the planting area, enhancing per unit area yield and focusing on regions where crops have dropped, on the basis of stabilizing and bettering the situation in regions where crops have increased this year; stabilizing summer grain crops, enhancing production in the north

and focusing on improvement in the south; stabilizing autumn grain crops, enhancing production in the south and focusing on improvement in the north. He Kang held that the following concrete measures are important:

(1) Strengthening planning and guidance and increasing area for grain and cotton growing. For grain, there will be an increase of 10 million to 15 million mu and for cotton, 6 million mu. Increase in area mainly relies on increasing multiple-crop index, developing grain-cotton and grain-grain intercropping, utilizing fields lying fallow in winter in the south and popularizing regenerating rice.

(2) Popularizing various practical yield-increasing techniques and enhancing per unit area yield. Scheduled in the plan for next year is 230 million mu of hybrid paddy rice, 280 million mu of hybrid maize and 520 million mu for formulary fertilization, representing respective increases of 30 million mu, 10 million mu and 40 million mu over this year. Also scheduled is 60 million mu for cultivation with modeled technology.

Implementing these technical measures requires large-scale adoption of responsibility systems of "group contract" and other forms of technical contract, and enlargement of the scope of "good-harvest plans." There has been remarkable achievement in carrying out this year's "good-harvest plan for 50-kg increase per mu of 100 million mu of maize," and on the basis of this success, there will be a "good-harvest plan of 100 million mu of wheat" for the regions embracing the Yellow, the Huai and the Hai Rivers and a "good-harvest plan of 100 million mu of paddy rice" for the south, setting a target of increasing 25 kg and 50 kg per mu respectively within 3 years. And the "good-harvest plan for wheat-cotton interplanting of 10 million mu" is for Hebei, Shandong and Henan Provinces. In addition, attention should also be given to the projects of "10 million mu of grain with per mu yield of 2,000 kg", "10 million mu of regenerating rice" and "10 million mu of maize with protective film covering."

(3) Strengthening construction of agricultural infrastructure and commodity bases. This winter, the construction of water conservancy works has taken on a positive development and it should be maintained next year. Attention should be given to infrastructure in connection with agricultural comprehensive exploitation, and the building of technology dissemination system and improved crop variety system should be given special note. Better management should be exercised and consolidation and improvement made on the 250 county-level commodity grain bases and 74 county-level quality grain and cotton bases which either have been completed in recent years or are still under construction by the state. Meanwhile, another batch of county-level commodity bases are scheduled for construction next year.

The minister emphasized, "Agriculture should soar whereas cadres concerned should go to lower levels. Authorities at all levels should organize cadres to work in

the countryside with each of them stationed in a specific locality, so as to integrate propagation of policies with technical guidance, working and undertaking responsibilities at a selected spot with technical contract system, and assistance for the poor and backward regions with production and harvest boosted in successful regions. The Ministry of Agriculture will set a fine example by sending a large number of cadres from its departments and subordinate organizations to the countryside to work on the agricultural front."

After he had detailed the practical plans of the Ministry of Agriculture, Minister He Kang made a special request and asked me to convey, through the press, the ministry's gratitude for the comrades in various sectors and professions who have shown their concern for, and supported, agriculture in the past year and to express the ministry's hope that they will continue to give financial, material and technological support to agriculture in the coming year, so that efforts from all quarters can be combined to ensure another breakthrough in agriculture.

Acreage To Increase for Grain Crops

HK0901123990 Beijing CEI Database in English
9 Jan 90

[Text] Beijing (CEI)—China plans to increase its grain-growing area this year by means of multiple cropping and cultivation of wasteland.

According to government sources, grain acreage will be increased by 666,000 ha to 112 million ha, cotton by 400,000 ha to 5.66 million ha and oil-bearing crops by 400,000 ha to 10.6 million ha.

More High-Yield Farmland Created

OW0801182990 Beijing XINHUA in English
0822 GMT 8 Jan 90

[Text] Beijing, January 8 (XINHUA)—Chinese peasants have created more than 1.3 million hectares of farmland with per-hectare grain output reaching or surpassing 15 tons, according to statistics from the Ministry of Agriculture.

Sources in the ministry attributed the results to the popularization of scientific farming in recent years.

In 1989, each hectare of farmland in Chenghai and Chaoyang Counties in Guangdong Province and Longhai County in Fujian Province produced over 1,000 kilograms of grain.

Over 400,000 hectares of farmland in Hunan Province in central China were turned into high-yield land, which produced a total of five billion kilograms of grain.

In the northern part of China, where natural conditions are relatively poorer than in southern China, achievements have also been made in creating high-yield farmland.

Last year, 85,000 hectares of farmland in Shandong Province, 25,000 hectares of farmland in Hebei Province and 6,700 hectares of farmland in Gansu Province were turned into high-yield land.

Report Cites Agricultural Loans

OW0901081490 Beijing XINHUA in English
1251 GMT 8 Jan 90

[Text] Beijing, January 8 (XINHUA)—More than 21 billion yuan (4.48 billion U.S. dollars) in agricultural development loans were granted by the Agricultural Bank of China between 1982 and November last year to help Chinese farmers, according to a report in today's "ECONOMIC INFORMATION".

About 4.24 billion yuan was used by farm collectives and towns and villages to develop uncultivated land, water resources, and other natural resources.

The loans have helped state-owned farming enterprises to develop production bases for agriculture, forestry, animal husbandry and fishery. Since 1982, the Agricultural Bank has disbursed 3.73 billion yuan in loans for farming and animal husbandry at state-owned farming enterprises.

The bank also got loans of 380 million U.S. dollars from the World Bank and other international financial organizations to help build 171 commodity grain production bases, 74 production bases for various agricultural goods and 278 agricultural projects.

Since 1988, the bank has given loans for the "vegetable basket project" to supply urban people with more vegetables, eggs, and meats.

Part of the loans have been used in development of China's poverty-stricken areas. The bank plans to grant 300 million yuan in loans to the country's help-the-poor plan each year.

Each year, the bank extends agricultural credits for the development of agricultural science and technology and has achieved good results.

Commercial Departments Urged To Serve Agriculture

OW1001003390 Beijing XINHUA in English
0634 GMT 9 Jan 90

[Text] Beijing, January 9 (XINHUA)—Chinese commercial departments should continue to work for the development of agriculture, said Fu Limin, vice-minister of Commerce, yesterday.

They should help with the spread of farming technologies and the distribution of equipment and materials.

According to the Ministry of Commerce, 90 percent of its 250 scientific institutes are engaged in research on storage of grain, cotton, edible oil and other agricultural products. Good results are being achieved.

Commercial departments in Hebei and Jiangsu Provinces have initiated a technological and economic group contracting system in farming. It combines technology with the supply of production materials for grain, cotton and oil-bearing crops. The farmers have welcomed it.

Fu said the commercial departments have many advantages in propping up agriculture with science and technology. He called on commercial scientific institutes to emphasize agriculture in funding and to arrange new research projects this year.

Industrial Export Up, Agricultural Exports Down
HK0901122990 Beijing CEI Database in English
9 Jan 90

[Text] Beijing (CEI)—The products mix of China's exports has undergone a marked change in 1989, with a steady increase in industrial products and a drop in agricultural products, minerals and raw materials.

According to authoritative sources, industrial exports accounted for 72 percent of the over 50 billion U.S. dollars worth of the country's total exports in 1989, 3 percent more than that of the previous year. This included a rapid increase in garment exports to 5 billion U.S. dollars and double-digit increases in the export of electronics, machinery and textile products.

Since the adoption of the policy of "rectification of the economic environment and improvement of the economic order", China has cut back the export of grain, fresh eggs, edible oils, cotton yarn and non-ferrous metals to meet domestic demand.

Official statistics show that during the first 11 months last year, the export of rice fell by 54.7 percent, soya bean and red bean by 23 percent and fresh eggs by 30.9 percent. Reductions were also registered in the export of copper, copper alloy, aluminum and aluminum alloy, woollen fabrics, cotton textiles, paper, paper board, and crude oil.

It is learnt that apart from the cutback in the export of grain and crude oil in 1990, China will strive to maintain or surpass the 1989 level of coal and textile exports.

Government Survey on Development of Bohai Sea
OW1001020290 Beijing XINHUA in English
1535 GMT 9 Jan 90

[Text] Shenyang, January 9 (XINHUA)—China is conducting an overall survey of the Bohai Sea for rational development of rich natural resources there, according to the National Bureau of Oceanography.

The survey covers the waters, islands and areas within 10 km of the coastline.

The Bohai Sea covers 80,000 sq km and is surrounded by Liaoning, Hebei and Shandong Provinces and Tianjin

City. The waters average 20 m in depth and abound in fish, prawns and clams. Several important ports are located there.

The coastal areas surrounding the sea boast three of the four major oil producers in China, namely, the Shengli, Huabei and Liaohe oilfields.

However, the resources in these areas have not been made rational use of and the ecological balance in some places has been disrupted due to lack of overall planning.

The Bohai Sea will be divided into a development zone, zone for recovery of the ecological balance, nature reserve zone, special zone and conservation zone.

The survey, which started early last year, will be completed in the first quarter of this year.

Proposal To Develop Coastal, Hinterland Areas
HK1001054590 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 0906 GMT 9 Jan 90

[Report: "Chinese Experts Propose a New Concept on Carrying Out 'Simultaenous Development of Coastal and Hinterland Areas and Mutual Assistance Between East and West China'"—ZHONGGUO TONGXUN SHE headline]

[Text] Beijing, 9 Jan (ZHONGGUO TONGXUN SHE)—A few days ago a new economic development idea called "simultaneous development of coastal and hinterland areas and mutual assistance between east and west China" was published by some newspapers and magazines in China. As a supplement to the coastal economic development strategy, this new concept has drawn the attention of economic experts here.

According to this new concept, China's coastal economic development strategy mainly caters to Europe, the United States, Japan, Hong Kong, Macao, and Taiwan. This strategy is aimed at buying advanced equipment by means of the country's foreign exchange reserve and by relying on foreign loans. But there are shortcomings in it.

This new concept holds that while opening the country's coastal areas, it is also necessary to open border ports in the hinterland, as this will be beneficial to economic development in hinterland and western minority nationalities regions and to forming mutual assistance between east and west China, with the aim of opening the country to the whole world.

In the opinion of some Chinese experts, because China has a long coastal line and borders on a dozen or so countries, it is equipped with the geographical conditions for carrying out two-way opening up. This will enable China's export-oriented economy to rely less on foreign countries and will facilitate the implementation of its independent and peaceful foreign policy.

Consumption of Forest Resources Drops in 1989

*OW0701142490 Beijing XINHUA in English
1256 GMT 7 Jan 90*

[Text] Beijing, January 7 (XINHUA)—A recent survey by the Ministry of Forestry shows that the consumption of forest resources in 29 provinces, autonomous regions and municipalities fell last year, according to "CHINA FORESTRY NEWS."

According to the survey, consumption was 4.5 percent lower than the annual average consumption rate for the period between 1984 and 1988.

It fell by 7.3 percent compared with the annual consumption rate of 1985 alone.

A ministry official pointed out that this does not mean that the reckless consumption of forest resources in the nation has been brought under control.

East Region**Fujian Secretary Views Overseas Chinese Affairs**

*OW0501182390 Fuzhou FUJIAN RIBAO in Chinese
14 Dec 89 P 1*

[By reporter Ke Zhihong (2688 5267 1347)]

[Text] Provincial leaders Chen Guangyi, Wang Zhaoguo, Jia Qinglin, Cheng Xu, and Zhang Kehui met and held talks with the province's delegates to the upcoming Fourth Congress of the All-China Federation of Returned Overseas Chinese at the Huaqiao Building in Fuzhou yesterday afternoon.

The leaders fully affirmed the province's achievements in dealing with Overseas Chinese in recent years. They pointed out: Fujian's economic growth cannot be separated from "Overseas Chinese." Overseas Chinese affairs workers, along with returned Overseas Chinese and relatives of Overseas Chinese, have made use of various channels and have done a good job in attracting Overseas Chinese to invest in Fujian.

Everyone spoke out freely at the meeting. After listening to the delegates' opinions and suggestions with regard to Overseas Chinese affairs, Chen Guangyi said: Overseas Chinese affairs is not just the work of the Overseas Chinese Affairs Department. In fact, several other departments also have to deal with Overseas Chinese in one way or another and should, therefore, pay attention to and support the work. Chen Guangyi expressed the hope that the delegates will return from the congress with fruitful results, and that they will bring back central guidelines and advanced experiences from other localities to improve the work in the province.

Fujian Allows More Foreign Investment in Xiamen

*OW0601190690 Beijing XINHUA in English
1545 GMT 6 Jan 90*

[Text] Xiamen, January 6 (XINHUA)—Xiamen, one of China's special economic zones, approved 225 overseas-funded projects last year, 25 percent more than the previous year, according to the city's foreign investment administration.

These projects have a total contracted investment of 760 million U.S. dollars, including 707 million U.S. dollars of foreign capital, 110 percent and 354 percent more respectively than 1988.

Ninety-one percent of the newly-approved projects are for production.

Last year also saw a rising investment in Xiamen by Taiwan firms. During the year, 130 projects were approved, 38 percent more than the previous year.

Director of the foreign investment administration Chen Deqiao attributed this to improved investment conditions.

By the end of last year, Xiamen had approved 718 overseas-funded projects.

Jiangsu Leaders Join Volunteer Laborers

*OW0501201890 Nanjing XINHUA RIBAO in Chinese
9 Dec 89 p 1*

[By reporters Zhou Bin (0719 2430), Ma Jian (7456 0256)]

[Excerpts] Provincial leading comrades yesterday joined some 1,000 farmers and local cadres in voluntary labor at the construction site of an irrigation project in Jiaozhuang village, Yiling town, Jiangdu County. [passage omitted]

All of the provincial leading comrades taking part in the voluntary labor agreed: It is one of the party's fine traditions that leading cadres participate in physical labor at the front line of production. The tradition, however, has been neglected in recent years. We now should try to revive this fine tradition. Physical labor should not be treated as a one-shot deal. Instead, leading cadres should try to do it regularly, and, through such activity, maintain close ties with the people. The provincial leading comrades also noted: Jiangsu's agriculture has grown steadily in recent years, thanks mainly to its good irrigation infrastructure. We must continue our effort in irrigation construction to ensure that agriculture as a foundation will not be weakened.

Taking part in yesterday's voluntary labor were Han Peixin, Chen Huanyou, Sun Jiazheng, Cao Hongming, Zhou Ze, Yue Dewang, Hu Fuming, Ling Qihong, Zhang Xuwu, and Cao Keming. They were on an inspection tour in Jiangdu County.

Shandong Secretary Urges Learning From Lei Feng

*SK0701134990 Jinan Shandong Provincial Service
in Mandarin 2300 GMT 6 Jan 90*

[Text] On the afternoon of 6 January, the Jinan City Communist Youth League [CYL] committee sponsored a mobilization meeting in the primary school of Shengli Street in Jinan city on learning from Lei Feng. (Lai Ning), and (Shi Jia).

A hand-written letter from Jiang Chunyun, secretary of the provincial party committee, was read during the mobilization meeting. In his letter, Jiang Chunyun stated that 1990 will be a year which has a vital bearing on developing the undertakings of socialist construction throughout our country and in which we will make a new step in stabilizing the political situation, improving the economic environment, rectifying economic order, deepening the reform drive, and in carrying out economic construction and other socialist undertakings. Being successors of the country, upon whom the motherland's future and hopes reside, the broad masses of young pioneers should treasure the time and double their efforts in the new year so as, under the nurture of the

party and the people, to make faster progress than that made in 1988 in the education of morality, intelligence, physical culture and sports, aesthetics, and labor training, and to make more outstanding achievements in the year.

During the meeting, Ma Zhongchen, deputy secretary of the provincial party committee, delivered a speech in which he described his ardent expectation for the young pioneers.

Zhao Zhihao, deputy secretary of the provincial party committee and governor of the province, attended the meeting and also delivered a speech in which he urged Jinan city and localities across the province to realistically and deeply carry out the campaign of learning from Lei Feng, (Lai Ning), and (Shi Jia) and to carry forward the campaign on a long-term and extensive basis.

Writing inscriptions for the campaign launched at the mobilization meeting were Liang Buting, chairman of the provincial Advisory Commission, and Su Yiran, members of the Central Advisory Commission.

Shandong Steel Output Tops 2 Million Tons

SK0301121290 Jinan Shandong Provincial Service in Mandarin 2300 GMT 2 Jan 89

[Summary] In 1989, Shandong Province's steel output totaled 2.1 million tons; pig iron, 2.53 million tons; and rolled steel, 1.54 million tons.

Shandong Exceeds Power Generating Quota

SK0301122090 Jinan Shandong Provincial Service in Mandarin 2300 GMT 2 Jan 89

[Summary] Last year, despite shortages of fuel, water, and raw materials, the Shandong power grid set new historic records in all targets, and overfulfilled the state power generating quota by 1.618 billion kwh 14 days ahead of schedule. In addition, the total installed capacity of newly built generating units was 910,000 kw.

Shanghai Implements Demonstration Regulations

HK0901125090 Beijing ZHONGGUO XINWEN SHE in Chinese 1202 GMT 9 Jun 90

"Shanghai Adopts Procedures for Enforcing the PRC Law on Rallies, Processions, and Demonstrations"—ZHONGGUO XINWEN SHE headline]

[Text] Shanghai, 9 Jan (ZHONGGUO XINWEN SHE)—The procedures of Shanghai municipality for enforcing the "PRC Law on Rallies, Processions, and Demonstrations" began to come into force today. The 14th meeting of the 9th Municipal People's Congress Standing Committee adopted this local law this morning.

Wang Chongji, vice chairman of the municipal people's congress Standing Committee and chairman of the

municipal people's congress Legislative Affairs Commission, explained the law to the Standing Committee at today's meeting. He said: Although the National People's Congress Standing Committee adopted and promulgated the PRC Law on Rallies, Processions, and Demonstrations, in order to ensure the law's correct and effective enforcement in Shanghai, Shanghai should also adopt its local procedures for enforcing the national law.

The procedures explicitly stipulate that the public security organs at the municipal level and in various districts and counties are authorized to approve rallies, processions, and demonstrations, but those being held in major centers for political and social activities and vital traffic lines and hubs should be approved by the municipal people's government. "Without the approval of the municipal people's government, no people are allowed to hold rallies, processions, and demonstrations in the People's Square and in the Bund."

As Shanghai is a harbor city with large areas of water, water transportation is a major integral part of the city's transport system. So rallies, processions, and demonstrations held on the water should also observe the relevant law and procedures.

In addition, the procedures stipulate that "rallies, processions, and demonstrations should be held peacefully within the limits allowed by the authorities concerned, and no violence can be used or instigated." It is also stipulated that the participants "cannot stop vehicles, block the traffic, and damage the means and facilities of transport;" "cannot slander and insult other people, fabricate rumors, stir up trouble, and disrupt the public order;" and "cannot put up bills and write on walls along the course of the procession." The procedures include six concrete stipulations of this kind.

A responsible official of the Shanghai Municipal People's Congress Standing Committee said: The formulation of these procedures for enforcing the national law is favorable to the exercise of the citizens' right to hold rallies, processions, and demonstrations according to the law, and will enable the government to better guarantee the exercise of this civil right according to the law and to maintain social stability and public order.

Text of Shanghai Ban on 'Harmful' Publications

OW0701093790 Shanghai JIEFANG RIBAO in Chinese 5 Dec 89 p 3

[Text] Temporary Provision of the Shanghai Municipality on the Ban of Harmful Publications

(Promulgated by the Shanghai Municipal People's Government on 26 November 1989)

Article I. The provision is formulated in accordance with relevant state laws and regulations to ensure the building of a socialist civilization that is culturally and ideologically advanced, to protect public order, to promote the development of a thriving and healthy cultural market,

to prevent harmful publications from poisoning the people, and to protect the physical and mental health of the masses, particularly minors.

Article II. The harmful publications referred to in the provision include those which are reactionary, obscene, and pornographic, which exaggerate murders and violence, and which advocate feudal and superstitious beliefs. The scope of publications includes books, newspapers, magazines, photographs, comics, calendars, video tapes, cassette tapes, films, television movies, slides, and other audio, video, printed, and publicity materials.

Article III. The provision shall apply to all harmful publications within the boundary of Shanghai.

Article IV. Reactionary publications refer to those opposing the people's democratic dictatorship and the socialist system, and include publications containing one of the following contents:

1. Opposing the Communist Party of China and its leadership;
2. Attacking the People's Republic of China and opposing taking the socialist road;
3. Attacking and vilifying the people's democratic dictatorship;
4. Denying the guiding position of Marxism-Leninism and Mao Zedong Thought;
5. Seriously distorting historical facts, advocating division of the state and people, and vilifying the Chinese people.

Article V. Obscene publications refer to those which generally highlight examples of obscene behavior described below, which incite sexual desires, which lead ordinary people to degeneration, and which have no artistic or scientific value. They include:

1. Obscene and explicit descriptions and displays of sexual intercourse and innermost feelings;
2. Obscene descriptions and displays of male and female sexual organs;
3. Obscene descriptions and displays of sexual techniques;
4. Descriptions and displays of the specific means, process, or details pertaining to incest, rape, promiscuity, or other sexual crimes;
5. Descriptions and displays of sexual acts by children;
6. Obscene and explicit descriptions and displays of homosexual acts or other sexual abnormalities, or explicit descriptions and displays of violent, sadistic, and masochistic acts related to sexual abnormality;
7. Overt publicity for lewd images.
8. Other descriptions and displays of sexual acts which offend ordinary people and go against social and public morals.

Article VI. Pornographic publications refer to those which in general are not obscene but contain some contents that are governed by items 1 through 8 of Article V, or those which poison the physical and mental

health of ordinary people, particularly minors, and lack artistic or scientific value. They include:

1. Descriptions or displays which exaggerate mainly seduction, adultery, and prostitution;
2. Different postures showing men and women in the nude with the intention to incite;
3. Those not amounting to obscenity but having a serious and negative influence on social mores.

Article VII. Murderous and violent publications refer to those which harmfully exaggerate terror and cruel acts described below, and those beyond the mental endurance of ordinary people. They include:

1. Explicit descriptions and displays of excessively murderous and violent scenes;
2. Descriptions and displays of cruel acts based mainly on hurting normal human feelings.

Article VIII. Feudal and superstitious publications refer to those described below, and which lack artistic and scientific value. They include those:

1. Featuring mainly physiognomy, fortune-telling, geomancy, and divination;
2. Advocating the practice of divination and exorcism to cure illness;
3. Publicizing superstitions and rumors which are unscientific, benighted, and harmful to society.

Religious publications published in accordance with state laws and regulations are not considered feudal and superstitious publications.

Article IX. The following situations should not be treated as obscene and pornographic publications:

1. Works of natural and social sciences related to human anatomy, reproduction, prevention of illness, sex knowledge, sexual morals, and sexology;
2. Artistic works of the fine arts and photography showing the beauty of the human body;
3. Art and literary works which in general are healthy and have artistic value despite some obscene and pornographic contents.

The above publications should be published and released according to the relevant state and municipal administrative provisions.

Article X. With regard to the production (including reproduction), sales (conveyance), rental, and propagation of reactionary publications, in addition to confiscation of published materials and illegal income, the persons concerned shall be handed over to public security departments for education through labor; the units concerned shall be fined not more than 30,000 yuan or not more than five times the total price of the publications by the Industry and Commerce Administration Bureau, the Press and Publications Bureau, the Radio and Television Bureau, the Film Bureau, or the Culture Bureau. Those guilty of criminal offenses shall be handed over to judicial organs for prosecution.

Article XI. With regard to the production (including reproduction), sales (conveyance), rental, and propagation of obscene publications, in addition to confiscation

of published materials and illegal income, the public security departments shall punish the persons concerned in accordance with the "Regulations of the People's Republic of China on Administrative Penalties for Public Security;" the units concerned shall be fined not more than 30,000 yuan or not more than five times the total price of the publications by the Industry and Commerce Administration Bureau, the Press and Publications Bureau, the Radio and Television Bureau, the Film Bureau, or the Culture Bureau. Those guilty of criminal offenses shall be handed over to judicial organs for prosecution.

Article XII. With regard to the production (including reproduction), sales (conveyance), and rental of pornographic publications, in addition to confiscation of published materials and illegal income by the Industry and Commerce Administration Bureau, the Press and Publications Bureau, the Radio and Television Bureau, the Film Bureau, or the Culture Bureau, the persons concerned shall be fined not more than 3,000 yuan; and the units concerned shall be fined not more than 10,000 yuan or not more than three times the total price of the published materials. Those guilty of criminal offenses shall be handed over to judicial organs for prosecution.

Article XIII. With regard to the production (including reproduction), sales (conveyance) and rental of publications exaggerating murders and violence, and advocating feudal and superstitious beliefs, in addition to confiscation of published materials and illegal income by the Industry and Commerce Administration Bureau, the Press and Publications Bureau, the Radio and Television Bureau, the Film Bureau, or the Culture Bureau, the persons concerned shall be fined not more than 2,000 yuan; the units concerned shall be fined not more than 5,000 yuan or not more than two times the total price of the published materials. Those guilty of criminal offenses shall be handed over to judicial organs for prosecution.

Article XIV. Individuals who spread pornographic, murderous, violent, feudal, and superstitious publications shall have them confiscated and be criticized, educated, or disciplined by the units to which they belong. Those who propagate these publications with the intention of making profits shall be punished according to Articles XII and XIII.

Article XV. Those who mail, carry, or convey harmful publications in and out of the country shall be punished by the Shanghai Customs Bureau according to the Customs Law of the People's Republic of China and other relevant provisions.

Article XVI. Individuals of institutions, mass organizations, and enterprises directly involved in violating Articles X, XI, XII, XIII, and XIV shall be punished according to these Articles. Those in charge and those who have connived with regard to the violations shall be fined and disciplined in accordance to the severity of their cases.

Venues showing video tapes, magazines and newspapers vendors, and publishing units that violate this provision shall be ordered to cease operation and undergo a shake-up by the relevant departments, or have their permits, licenses, and business and publication titles revoked.

Article XVII. Personnel who report on and expose violations of this provision shall be commended and rewarded by the Public Security Bureau, the Industry and Commerce Administration Bureau, the Press and Publications Bureau, the Radio and Television Bureau, the Film Bureau, and the Culture Bureau when the case is established.

Those who refuse to allow or hinder personnel from the Public Security Bureau, the Industry and Commerce Administration Bureau, the Press and Publications Bureau, the Radio and Television Bureau, the Film Bureau, and the Culture Bureau from carrying out their duties shall be punished by public security departments in accordance with the "Regulations of the People's Republic of China on Administrative Penalties for Public Security." Those guilty of criminal offenses shall be handed over to judicial organs for prosecution.

Article XVIII. Those who relay harmful publications to minors, or state employees who use their position to facilitate the propagation of harmful publications, should be severely punished in accordance with this provision.

Article XIX. The provision shall apply accordingly to objects not regarded as published materials but having contents considered to be reactionary, obscene, pornographic, murderous, violent, feudal, and superstitious.

Article XX. Individuals concerned who reject the administrative punishment meted out to them can appeal to the higher competent department of the relevant administrative department within 15 days of the date they receive the notification of their punishment.

Article XXI. The ordinary people mentioned in this provision refer to adults who are physiologically and mentally normal.

Article XXII. This provision shall be effective 5 December 1989.

Shanghai Reports Increased Industrial Output

*OW0601190890 Beijing XINHUA in English
1547 GMT 6 Jan 90*

[Text] Shanghai, January 6 (XINHUA)—Shanghai, China's biggest city, generated industrial output of 113 million yuan in 1989, a five percent increase over 1988, according to the latest statistics.

The city also reported increases in revenue and exports in 1989.

Last year its revenue hit 15.8 billion yuan, a 3.1 percent increase, and its foreign exchange earnings from exports were five billion U.S. dollars, eight percent higher than 1988.

Observers here say the steady economic growth indicates the economic rectification drive has achieved initial results.

Last year, the Shanghai Municipal Government adopted effective measures to strictly curb the growth of the demand and made adjustment in industrial structures, product mix and investment structures, creating a better climate and conditions for a suitable economic growth rate.

Central-South Region

Yuan Mu May Replace Ye Xuanping in Guangdong

*HK1001040290 Hong Kong MING PAO in Chinese
10 Jan 90 p 7*

[“Special” Dispatch: “Rumor Spreads in Guangzhou that Yuan Mu Will Replace Ye Xuanping”]

[Text] News from Guangzhou: Although it has yet to be confirmed whether Ye Xuanping, governor of Guangdong, will come to Hong Kong to replace outgoing Xu Jiatun as director of the Hong Kong Branch of the NEW CHINA NEWS AGENCY, the rumor that Yuan Mu, spokesman of the State Council, will soon arrive in Guangzhou to replace Ye Xuanping as governor has already spread far and wide among the high-ranking the cadres. It seems that the rumor will soon become true.

Yuan Mu, who received much publicity during the “4 June incident” which took place in Beijing last year, is now director of the Department of Policy Research under China’s State Council and concurrently spokesman for China’s State Council. According to China’s cadre system, Yuan Mu’s position is equivalent to or even higher than that of a provincial governor or a state minister. Therefore, it is certainly not entirely impossible for Yuan Mu to be appointed governor.

It was learned that cadres in Guangdong did not initially believe that Yuan Mu’s possible transfer would occur, because it is known to all that he has always been in charge of ideological work and has no experience whatsoever in provincial administration and economic work. However, later on, the rumor spread far and wide. Now quite a few cadres do not dare deny this possibility. They say: “Now we can hardly predict some of the decisions made by the central authorities, with our reason and experience.”

During the New Year’s Day period, Xu Jiatun, director of the Hong Kong Branch of XINHUA, went to Guangzhou and met with Ye Xuanping and some other high-ranking cadres. Nevertheless, the replacement of Xu Jiatun by Ye Xuanping has not yet been confirmed.

It was learned that cadres in Guangdong now generally believe that the departure of Ye Xuanping will inevitably have an impact on the future development, because since taking office he has been very popular among the local people. Under his leadership, a comparatively free and harmonious political atmosphere has emerged. Furthermore, Guangdong’s economy has made much headway. So far, no suitable replacement has been found for Ye Xuanping.

With regard to Yuan Mu’s transfer, many cadres in Guangdong believe that if the rumor is true, then it will be a real “tragedy” for Guangdong. They predict that Yuan Mu’s transfer will inevitably step up the central authorities’ control of Guangdong in the ideological, propaganda, and media spheres, and will thereby put an end to the comparatively free and harmonious political atmosphere in existence over the past 10 years.

On the other hand, Yuan Mu’s lack of experience in economic work will also adversely affect the future development of Guangdong’s economy. Since the “4 June incident,” which took place in Beijing last year, Guangdong’s economy has experienced a downward turn. As a result of the central authorities’ implementation of the planned economy, Guangdong has now become somewhat reluctant in implementing some of the preferential policies it has implemented over the past decade. It goes without saying that its economy is now facing a formidable potential crisis. Therefore, cadres now generally feel puzzled by the impending change of provincial governor at a time when Guangdong’s economy has entered a crucial stage.

Shenzhen Attracts Students Returning to Guandong

*OW0501003590 Beijing XINHUA in English
0856 GMT 4 Jan 90*

[Text] Beijing, January 4 (XINHUA)—More than 300 Chinese students studying abroad have contacted personnel departments of firms in the Shenzhen Special Economic Zone inquiring about employment when they graduate.

This is thanks to the zone’s preferential policy toward students, the “CHINA YOUTH NEWS” reported today.

Already, 87 students have been offered jobs in Shenzhen, located in south China’s Guangdong Province, after they finish their studies abroad.

In order to attract such students, the Shenzhen authorities issued 17 items of preferential policies in October 1988. The policies include buying houses at discounted prices and priority in employment for their grown children.

The measures are so popular that some Chinese students in the United States wrote a joint letter to Shenzhen expressing their interest in working in the special economic zone.

Now there are 16 Chinese students who have returned from abroad working in Shenzhen's enterprises, banks, university and research institutes. Some of them have already been promoted.

1989 Totals Reflect Guangdong Growth

Export Volume

HK0301085990 Guangzhou Guangdong Provincial Service
in Mandarin 0400 GMT 30 Dec 89

[Text] Our province is achieving good results in developing the export-oriented economy and bringing its products onto the international market.

Meanwhile, it recorded an all-time high in its export volume in 1989. Statistics compiled by the departments concerned show that from January to mid-December 1989, the province's export volume topped \$7.249 billion, fulfilling 140.3 percent of the state annual plan and representing an increase of 16 percent over the previous year.

Industrial Output

HK0901130390 Beijing RENMIN RIBAO in Chinese
3 Jan 90 p 2

[Dispatch by reporter Liang Zhaoming (2733 0340 2494): "Guangdong Maintains Steady Economic Development"]

[Text] In the course of economic adjustment and rectification, Guangdong Province overcame difficulties and maintained the momentum of steady development. In 1989, the total industrial output value in the whole province exceeded 100 billion yuan for the first time and increased by about 14 percent over the previous year. Product quality was improved. Financial contributions also increased.

Industrial production in Guangdong Province could grow by a substantial margin, in spite of various difficulties last year, mainly because the province adopted a series of effective measures:

It resolutely cut down on the level of investment in fixed assets and continuously improved the investment structure. According to statistics, in the first 9 months of 1989, the number of new capital construction projects and transformation projects in the units under whole-peopple ownership decreased by 77.2 percent from that in the same period of the previous year. Investment in the production of energy and raw materials and in transport and telecommunications accounted for a much larger proportion. These measures effectively brought under control the excessively high growth rate in industry.

It effectively adjusted the production structure and the product structure. The province restrained the development of some industries which should be restrained and supported those which should continue to develop. In

early 1989, the provincial authorities explicitly published a list of key products which would be guaranteed and a list of products which would be strictly restrained. As a result, the output of 32 out of the 44 major industrial products continued to increase, thus ensuring effective market supply.

Recently, the provincial party committee and the provincial government asked people not to remain content with the achievements in the past year. They pointed out that industrial production in the whole province is still facing stern difficulties, so it is necessary to further strengthen the ideological and political work, arouse the spirit of the working masses being masters, and encourage them to make joint efforts to tide over the difficulties.

The provincial government recently held a telephone conference and presented the main points in the present work: First, production tasks and contract quotas should be assigned to various enterprises, and corresponding reform measures should be adopted so as to create favorable conditions for stabilizing production in 1990. Second, efforts should continue to be made to adjust the structure of industrial production, with energy, raw material, and transport industries being further strengthened. Third, export-oriented production bases should be run better, and the marketing of products should be promoted. Fourth, effective measures should be taken to ensure transportation in the period of the Chinese New Year and to ensure safety in industrial and mining production.

Guangxi Hosts National Forestry Conference

HK2912084489 Nanning Guangxi Regional Service
in Mandarin 1100 GMT 28 Dec 89

[Text] On 23 December, the Ministry of Forestry held a national conference in Wuzhou City to study the policy industry policy. During the 4-day meeting, after hearing a briefing by the Ministry of Forestry on the condition of carrying out the study of forestry industry policy and a report by the State Planning Commission on the study of national economic work and industrial policy, the representatives from all provinces and autonomous regions focused on studying and discussing various questions. They considered such questions as: how to work out a system of forestry industry policies which are in keeping with China's national conditions; how to implement more satisfactorily the forestry development strategy; how to push forward the long-term harmonious development of forestry; and how to promote the forestry reform both intensively and extensively. The representatives briefed each other on the conditions in their own localities and explored various issues, such as the methods of further improving the study of forestry industry policy, the way to study regional forestry industry policy, and coordination and division of work. The meeting set forth demands and made arrangements for this work.

Hainan Keeps Preferential Tax, Profit Policy

*OW0401084990 Beijing XINHUA in English
0641 GMT 4 Jan 90*

[Text] Beijing, January 4 (XINHUA)—The preferential policy on taxes and profits carried out in Hainan Province will not change, according to Jin Xin, director of the State Administration of Taxation.

In a meeting with Liu Jianfeng and Bao Keming, governor and vice-governor, respectively, of Hainan, China's largest special economic zone, Director Jin said that in order to attract more foreign funds the policy of low taxes and simplified procedures should be continued.

Meanwhile, he stressed, China is a sovereign state and taxation is one of the symbols of sovereignty. Therefore, he said, the preferential policy does not imply that the lower the taxes are, the better.

He concluded that the current preferential policy in Hainan is practical and suitable and should be carried out smoothly.

WEN WEI PO Series on Hainan Continues

*HK0801152790 Hong Kong WEN WEI PO
in Chinese 30 Dec 89 p 1*

[“Special article” by Fu Fen (4569 1164) and Chung Wen-yi (6988 5113 0001): “Starting From the Slogan ‘Return My Hainan’—Second Report on the Hainan Special Economic Zone”]

[Text]

A Groundless Accusation of “Betraying China”

The builders of Yangpu perhaps never expected that they would be accused of “betraying China.”

Yangpu received much attention at a meeting in Beijing of the National People's Congress and the Chinese People's Political Consultative Conference [CPPCC] in early spring this year. Some committee members of the CPPCC could not help expressing “shock and anger” when they heard that 30 square km of land in Yangpu would be leased to a Japanese company for as long as 70 years. How can we have the heart to let foreigners develop such a fine port? Why can we not do it ourselves? Since the central government has decided to have this port developed, why not earmark some money for it?

Some who had never been to Yangpu made criticisms that the rent was too low and that it was “an infringement upon the interests of the nation.”

There was contention on this issue both inside and outside the meeting. A newspaper in Shanghai questioned the development of Yangpu. Some people, filled with righteous indignation, even saw Hainanese as “traitors to China” for “surrendering China's sovereign rights

under humiliating terms.” During the student movement, some students even raised the slogan “return my Hainan”...

Heavy pressure from the public delayed once again the development of Yangpu.

Decision makers on Hainan were unperturbed by the charge, for they were convinced that they had done nothing wrong. The contention was either due to ignorance of the actual situation or to a misunderstanding.

True enough, the most ideal thing would be for Hainan to invest in developing Yangpu. However, this good intention is unrealistic.

The Only Option Is To Introduce Foreign Capital

It is estimated that 6 to 7.5 billion yuan is required for investment in infrastructure alone on the 30 square km leased to Kumagai Gumi for contracted development, whereas the gross industrial and agricultural output value of Hainan Province this year is expected to be 5.5 billion yuan only, and the revenue of the whole province last year was only 0.42 billion yuan. In other words, investment in infrastructure on 30 square km in Yangpu is equivalent to more than 10 years' revenue for the entire province of Hainan, not to mention the fact that Hainan still has a financial deficit and has to rely on a state subsidy of more than 0.4 billion yuan a year.

In fact, the development of Yangpu has taken a zig-zag course for many years. The key to the problem is lack of money. Hainan does not have money, and the state has no extra money either.

As for the price of land, we must take into consideration the reality of Yangpu. Yangpu stretches for more than 100 square km. It is a desolate land that has been dormant for centuries. The whole area here is flat and the soil is thin. There are only one or two undulating spots. The peninsula is surrounded by a primitive natural coast. The average annual rainfall here is only 1,000 mm, whereas the evaporation is more than 1,800 mm. The earth is dry and cracked; brown rocks are everywhere. The temperature is high. Rainfall is scarce. The area usually suffers from drought. Cultivation, if any, yields next to nothing. Apart from persevering cactuses, almost no vegetation is found here.

Of the leased area of 30 square km (that is, 45,000 mu), only 13,000 mu is cultivable (of which some 900 mu is paddy field). The rest is stony land.

Yangpu Is Suitable for Industrial Development

The unfavorable natural conditions of Yangpu make it unsuitable for agricultural development but suitable for industrial development. It has a unique, fine harbor with azure water, 27 meters deep at the deepest point. It does not have an accumulation of sand. It is sheltered from winds, and the sea lane is right by the pier. Here the land is hard, and underground water is abundant. Nearby are rich reserves of natural gas and oil. Not far away are salt

and titanium mines and inexhaustible quartzite and marble. The prevailing southeasterly wind can reduce industrial pollution. The environment is suitable for heavy industry, chemical industry, and building material industry.

Superior natural conditions require large sums of capital to develop them. Hainan definitely cannot afford it. The only option is to make use of foreign capital.

The rent for Yangpu is 2,000 yuan per mu. It is certainly a low rate compared with Beijing, Shanghai, Shenzhen, and Haikou. However, it is unrealistic to make this kind of comparison. The whole of Yangpu is still awaiting development. To attract foreign capital, the terms must be favorable. The Ministry of Communications requisitions land at the rate of 1,000 yuan per mu to build roads leading to the port. This rate is half the rent paid by Kumagai Gumi. In addition, Kumagai Gumi also pays for local residents' moving fees. This is one point. It is estimated that Kumagai Gumi has to invest some 2.4 million yuan on developing each mu of land in Yangpu. About three-fourths of this sum stays in Hainan in the form of labor service, raw materials, and taxes. This is high investment and high results from a low land price. This is the second point. The third point is that if Yangpu is successfully developed, the value of the surrounding land, which totals a few hundred square km, will rise radically. If it is not developed, the land will forever remain worthless. The fourth point is that after development, Yangpu can provide jobs for 200,000 to 300,000 people.

Therefore, the people of Yangpu have a totally different view on the land price. A cadre there said: "If Yangpu can be developed into something like Shenzhen, we will welcome people to come and develop it without paying anything, not to mention their paying 2,000 yuan."

Attitude of the CPPCC Investigation Team Changed

It is groundless to compare the leasing of Yangpu to concessions in Old China. The agreement between Hainan Province and Kumagai Gumi stipulates that the investor must abide by Chinese law, that issues related to Chinese sovereignty and functional government departments are all under the authority of Hainan Province, and that Hainan also has the authority to impose restraints when necessary. This draws a clear line between state sovereignty and foreign business operation. There is no such thing as "extraterritoriality," "betraying China," or "surrendering Chinese sovereign rights under humiliating terms."

In May this year, a CPPCC team of five conducted an investigation in Yangpu. They told cadres there that they had thought all land on Hainan was of great value and could grow rubber and coffee, and that they had not realized Yangpu was only suitable for development. They maintained that they supported the development of Yangpu, since sovereignty is not an issue there.

Most Henan Industrial Enterprises Show Profits

OW0201180890 Beijing XINHUA in English
1536 GMT 2 Jan 90

[Text] Beijing, January 2 (XINHUA)—Most of the industrial enterprises which used to operate in the red in Zhengzhou, capital of central China's Henan Province, had turned profitable by the end of last year, the "ECONOMIC DAILY" reported today.

At the beginning of last year, 44 state-owned enterprises, 20 percent of the total, showed deficits in their operations. Moreover, the entire textile industry, the pillar of the city's economy, was operating at a loss.

But by the end of the year 40 of the 44 enterprises had turned the corner and achieved favorable balance sheets.

The success was attributed to better management in the face of rising prices of raw materials and a weak market.

The city government improved the contract responsibility system in the enterprises and allocated special loans to help them. It also adjusted the prices of some of their products.

Hunan Raw Coal Output Sets Record

HK0401081190 Changsha Hunan Provincial Service
in Mandarin 2300 GMT 3 Jan 90

[Text] By 31 December, 1989, the raw coal output of Hunan Province had reached 36 million tons, thus attaining an all-time high. The total raw coal output of the coal mines under the direct management of the Hunan Provincial People's Government had reached 8.9 million tons, representing an increase of 0.72 million tons over the planned coal output.

In 1989, due to a lack of funds, a rise in prices of raw materials, and ideological instability among the staff and workers of various coal mines, Hunan Province's coal production experienced some difficulties unknown in the past. In face of such a situation, the leaders of the Coal Department of the Hunan Provincial People's Government led a number of office cadres to go to various coal bureaus at the grass-roots level to publicize the party's policies and help the coal enterprises at the grass-roots level perfect their contracted responsibility systems and implement their production plans. In order to increase the economic results, the leaders at all levels of the provincial coal industry indeed attached strategic importance to the application of science and technology in various coal enterprises. In 1989, Hunan Province invested a total of 60 million yuan in various coal-related technological transformation projects. The province also achieved marked results in its coal-related scientific research, thus significantly increasing the provincial coal output.

In order to mobilize the production enthusiasm of the broad masses of the staff and workers of various coal mines, in 1989, various coal mines under the direct

management of the Hunan Provincial People's Government also carried out a socialist emulation campaign aimed at learning from model workers and enabling workers to become masters of their mines. The (Zhouyuanshan) Coal Mine even designated 31 October of each year as the Excavation Workers' Day. On 31 October, 1989, the (Zhouyuanshan) Coal Mine conferred certificates of meritorious service on 59 excavation workers who had worked for the coal mine for 25 years or more and also carried out a series of activities aimed at expressing gratitude and appreciation to the excavation workers, thus fully mobilizing the production enthusiasm of the broad masses of staff and workers and significantly increasing the economic results of the mine. In 1989, the raw coal output of the (Zhouyuanshan) Coal Mine reached 0.56 million tons, 0.11 million tons more than the planned annual output. Moreover, the timber consumption of the (Zhouyuanshan) Coal Mine dropped by 20 percent, ranking first among all the coal mines in Hunan Province.

Hunan Increases Hog Production

HK0401024790 Changsha Hunan Provincial Service in Mandarin 2300 GMT 2 Jan 89

[Excerpts] The situation in hog breeding is gratifying in Hunan Province. In 1989, more than 28 million hogs were slaughtered, an increase of more than 200,000 hogs over the previous year; there were more than 27 million live pigs kept on hand, an increase of more than 400,000 pigs over the previous year. [passage omitted]

In the wake of the improvement of the situation in hog breeding, pork has been in more ample supply on the market, and the price of pork has been decreasing month after month. Last November, the province witnessed a 4.3-percent decrease in the average price of pork, as compared with the figure recorded the previous month. The price of pork declined in 11 of the 14 cities and counties which were covered by the commodity price survey. Huaihua, Leiyang, and Xinhua County even witnessed a price decline of more than 6.6 percent.

Southwest Region

Guizhou Leaders Speak at Power Plant Celebration

HK0401045790 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 30 Dec 89

[Excerpts] The provincial people's government held a victory meeting in Qingzhen County on 29 December to solemnly celebrate the completion and commissioning of the third phase of the project of expanding the Qingzhen Power Plant. [passage omitted]

In attendance were provincial party, government, and military leaders Liu Zhengwei, Wang Chaowen, Zhang Yuhuan, Zhang Shukui, Liu Yulin, Song Shugong, and Jiao Bin. [passage omitted]

When speaking on the occasion, Governor Wang Chaowen pointed out: We have won a brilliant victory in expanding the Qingzhen Power Plant. Two large thermal power generating units with a capacity of 200,000 kw were put into production in commission ahead of schedule. So far the two generating units have generated 1.2 billion kw hours. [passage omitted]

Guizhou Industrial Output Increases

HK1001005090 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 8 Jan 90

[Text] The province's industrial production made steady progress in 1989, and its gross output value produced by enterprises at or above the township level topped 11.98 billion yuan, a 7.4 percent increase over the preceding year.

The industrial production of our province in 1989 had the following main features:

- 1) The increase in energy production was higher than that of industrial production as a whole. Generated energy increased by 45 percent in 1989, if compared with 1988. This contributed much to the endeavor to relax strains in the province's energy supply. Meanwhile, the province produced 32.38 million tons of crude coal, an increase of 16.2 percent over 1988.
- 2) The advantages of large and medium-sized enterprises was brought into full play. The annual output value produced by 192 large and medium-sized enterprises throughout the province accounted for 64.8 percent of the province's total output value yielded by enterprises at or above the township level, earning 723 million yuan in terms of net profit.
- 3) The situation in chemical industrial production was heartening. The province fulfilled the state plan for chemical fertilizer production 20 days in advance; its growth rate held a first row position in the whole country. Meanwhile, the production of agricultural chemical overfulfilled its annual plan by 73.6 percent, a rise of 59 percent over the previous year.
- 4) Heavy industry developed faster than light industry.
- 5) The volume of rail freight in 1989 amounted to 18 million tons, a 4.8 percent increase over 1988, thus ensuring transportation of major materials of the state and creating conditions for the province's industrial development in 1989.

Magazine Interviews Sichuan Secretary

HK0901043190 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 7 Jan 90

[Text] This year's first issue of the magazine XUEXI YU JIANSHE [Study and Construction] carried a report on an interview with Yang Rudai, secretary of the Sichuan Provincial CPC Committee, by Li Qi, chief editor of XUEXI YU JIANSHE. During the interview, Comrade Yang Rudai answered a number of questions raised by Li Qi in connection with the campaign aimed at improving the economic environment, rectifying the economic

order, and deepening the reform. Comrade Yang Rudai answered a total of nine questions during the interview.

When asked how the CPC organizations and the CPC members and cadres at the grass-roots level should contribute to the furtherance of the campaign aimed at improving the economic environment, rectifying the economic order, and deepening the reform, Comrade Yang Rudai said that each and every CPC member and cadre should first of all unify his ideology, remarks, and actions according to the line, principles, and policies formulated by the central authorities. Each CPC member and cadre must firmly adhere to the principle of democratic centralism, safeguard and strengthen the innerparty unity, heighten the sense of organization and the sense of discipline, oppose decentralism, resolutely fight against corruption, promote the building of a clean government, and develop the spirit of self-reliance and hard work. The CPC committees at all levels should also practically strengthen their collective leadership and improve their work style. The members of the CPC committees at all levels should frequently go deep to the grass-roots level to conscientiously carry out investigations and research, participate in manual labor, become one with the masses, show more concern for the masses, modestly listen to the views of the masses, and do things for the masses in a down-to-earth manner.

Comrade Yang Rudai stressed that all the CPC members and cadres, especially the leading cadres at all levels, must make greater efforts to study Marxism, Leninism, and Mao Zedong Thought, must spend more time on studying the basic viewpoints and basic methods of dialectical materialism and historical materialism, and cultivate a scientific world outlook and methodology so as to scientifically carry out their work and become more farsighted in doing their work.

Sichuan Secretary Stresses Agrotechnology

HK0801110090 Chengdu Sichuan Provincial Service
in Mandarin 2300 GMT 6 Jan 90

[Excerpts] Provincial party committee Secretary Yang Rudai pointed out: To ensure a steady development of agricultural production in Sichuan, it is necessary to rely on policies and investment. It is also essential to depend on science and technology. A top priority task is to spread agrotechnological achievements to every village and household and make them turn them into the productive forces as soon as possible.

He made the remarks on 5 January when he spoke at the provincial work conference on spreading scientific knowledge in the rural areas.

Comrade Yang Rudai also said: Sichuan has a huge population but is short of land. This is a recognized fact and no one can change it. Besides, its population is increasingly mounting—a population of a large county is added to the province every year. To resolve the problem, it is necessary to rely on science and technology and to produce more farming and sideline products on

limited farmland. We should help peasants attain prosperity by means of science and technology. Our province achieved encouraging successes in spreading science and technology in agricultural production. [passage omitted] In 1989 more than 20,000 scientific and technical personnel went down to the countryside to contract projects of science and technology and promote new technologies, thus making remarkable contributions to the bumper harvests in our province. This fully proves that there are bright prospects for developing agriculture by means of science and technology in our province. [passage omitted]

Sichuan Governor Views Economic Situation, Tasks

HK1001025890 Chengdu Sichuan Provincial Service
in Mandarin 2300 GMT 8 Jan 90

[Text] Yesterday [8 January] afternoon, Provincial Governor Zhang Haoruo had a discussion with the comrades attending the provincial press, publication, and propaganda work conference about the provincial economic situation and tasks.

At the forum, Governor Zhang Haoruo said: At present, the provincial economic situation is being improved. However, we must not lose sight of the latent difficulties. We will have to overcome three major difficulties this year: The difficulty in increasing revenue; the difficulty in price control; and the difficulty in solving the problem of unemployment.

He continued: There are also many favorable factors for this year's economic development. First, the central authorities have further defined the policies, guiding ideology, and principles concerning economic improvement and rectification. Second, having accumulated experiences in this respect through last year's improvement and rectification, the broad masses of cadres and people have gained a deeper understanding of the stability and continuity of the party's policies and principles. Third, our province has better conditions for energy and raw materials production and transportation, and the markets are comparatively stable. In short, a trend of improvement has appeared in our province for solving some temporary difficulties.

Comrade Zhang Haoruo emphasized that provided the leaders at all levels, all departments, and the broad masses of people conscientiously do a good job in economic improvement and rectification and in deepening reforms, prepare themselves to lead an austere life in the next few years, boost their morale and work hard, promote the work of double increase and double economy, and overcome all kinds of difficulties, provided they turn pressure into a motive force for increasing efficiency, competitiveness, and economic returns, we will surely achieve a steady, sustained, and harmonious economic development in our province.

Sichuan Officials Inspect Railway Station

*HK0801081890 Chengdu Sichuan Provincial Service
in Mandarin 2300 GMT 5 Jan 90*

[Excerpts] Provincial party committee Secretary Yang Rudai and Governor Zhang Haoruo yesterday afternoon paid an inspection visit to the construction site of the project of expanding the Chengdu East Railway Station.

The Chengdu East Railway Station is a major railway junction in southwest China. The Ministry of Railways approved an appropriation of 665 million yuan in 1986 for expanding it. [passage omitted] When the expansion project is completed, the annual volume of railway freight will reach 40 million tons. [passage omitted]

Yang Rudai, Zhang Haoruo, and Chengdu City Party Committee Secretary Wu Xihai praised workers, cadres, and technical personnel on the spot for their spirit of selflessness and their serious attitude toward work, shook hands with them to express thanks, and hoped that they would accomplish the project with good quality and ahead of schedule to meet the needs of economic development in our province and in southwest China, as well.

Yunnan Introduces Regulations Against Drugs

*HK0801025790 Kunming Yunnan Provincial Service
in Mandarin 1100 GMT 5 Jan 90*

[Text] Yunnan Province's Administrative Rules and Regulations on Punishing Those Connected with Drugs, which become effective on 1 January 1990, have now been put into effect. This is the first law banning drugs formulated and promulgated by a provincial-level organ of state power in China. It includes 24 articles which stipulate that growing, making, selling, transporting, and taking drugs, including injection of opium, morphine, heroine, and so on, within the boundaries of Yunnan Province are illegal and criminal practices. Those guilty in this regard will be held criminally accountable and punished by either disciplinary warning, fine, detention, or labor reform, depending on the seriousness of the crime committed by the offender.

Yunnan Stresses Popularizing Agrotechnology

*HK0901031390 Kunming Yunnan Provincial Service
in Mandarin 1100 GMT 7 Jan 90*

[Text] At a provincial conference on rural work and popularization of agrotechnology, which opened on 6 January, Governor He Zhiqiang delivered a report entitled: "Exert Conceted Efforts to Make a New Step Forward in the Province's Agriculture by Deepening the Rural Reform and Relying on Scientific and Technological Advancement."

He Zhiqiang pointed out: Thanks to strengthened leadership of party committees and governments at all levels over rural work, in the past year our province reaped a relatively good harvest of farm products. The gross

output value of agricultural production is expected to top 9 billion yuan, an increase of 3 percent over 1988; the per-capita net income of peasants is estimated to come to 460 yuan, 30 yuan more than the preceding year; and the total grain output reached 19.5 billion jin and more, bringing another bumper harvest, which is second only to the year of 1984.

He Zhiqiang continued by saying that in front of achievements, leading cadres at different levels of our province should make a sober estimate of problems that our province faces in agricultural production. As a result of the rapid population growth and dislocations in the proportion of industry and agriculture, we must not lose sight of the fact that the grain issue has increasingly become a very prominent problem which affects and restricts the development of the province's rural areas and even the economic growth as a whole. To solve difficulties and problems that our province's agriculture is now facing, our province should persist in the principle of sparing no effort in promoting grain production and actively developing diversified undertakings in its agricultural development, particularly in the next 6 years. Our province should also uphold the fundamental state policy of expanding production of materials while controlling the rapid population growth; adhere to the orientation of developing ecological agriculture by combining regulation of rivers, watercourses, and land improvement with afforestation; keep to the path of deepening the rural reform, relying on scientific and technological advancement, accelerating comprehensive exploitation, and raising the output rate of land; and persistently follow the mass line of having faith in the masses, relying on them, and mobilizing them to develop agriculture extensively.

He Zhiqiang also noted: Our province should emphasize six points in its rural work this year: 1) It is essential to persist in and stabilize the rural economic policies; 2) it is necessary to actively develop the service system in the rural areas as a bid to render better service to peasants in expanding agricultural production and help them do something which an individual peasant household cannot do; 3) it is necessary to accelerate the popularization of agrotechnological achievements, with the focus on spreading advanced farming skills for increasing the output of grain, cured tobacco, sugar cane, and oil-bearing crops; 4) vigorous efforts must be made to promote the system of contracting projects to scientific and technological personnel, and to further perfect some policies relating to the system; 5) endeavors must be made to increase investment in agriculture to guarantee this year's agricultural production and the work of popularizing science and technology in agricultural development, and to successfully attain all assigned quotas; and 6) it is essential to give more leadership to rural work, strengthen rural primary organizations, beef up ideological and political work and the building of spiritual civilization in the rural areas, and fully mobilize the people of all nationalities of the province to make concerted efforts to boost this year's agricultural production and strive for bumper harvests.

In attendance were more than 500 people, including Nie Ronggui, Ren Keli, (Liang Jinquan), Li Xingwang, Luo Yuntong, Li Guiying, Bao Yongkang, and other provincial party and government leaders, as well as leaders in charge of agricultural production of prefectures, autonomous prefectures and counties, and leading comrades of the provincial departments concerned.

Yunnan Reports Increased Grain Storage

*HK0801111090 Kunming Yunnan Provincial Service
in Mandarin 1100 GMT 6 Jan 90*

[Text] By the end of 1989, our province had put in storage over 880 million kg of grain purchased by order, fulfilling 95.1 percent of assigned quotas and 140 million kg more than in 1988. At the same time, it had also purchased 440 million kg of grain at negotiated prices, 100 million kg more than in 1988.

Seven prefectures, autonomous prefectures, and cities, including Kunming, Qujing, Zhaotong, and Yuxi, as well as 76 counties, including Yiliang and Luliang, have fulfilled the 1989 task of purchasing grain by order. The departments concerned hoped that the areas which have not achieved the tasks assigned to them would buckle down to attaining their apportioned quotas of storing grain and strive to fulfill their tasks before the Chinese New Year, and that the areas which have achieved their tasks would purchase more grain at negotiated prices.

Yunnan Increases Financial Revenues

*HK0801032490 Beijing RENMIN RIBAO in Chinese
2 Jan 90 p 2*

[Dispatch by reporter Qian Jiang (6929 3068): "Yunnan Province Increases Local Financial Revenues"]

[Text] Through 1 year of efforts to improve the economic environment and rectify the economic order, Yunnan Province has effectively promoted the development of industry, agriculture, and other economic sectors, thus maintaining the steady growth of the national economy. From January to September 1989, the province's total industrial output value increased by 7.7 percent over the same period last year; a bumper harvest was reaped in agricultural production, and grain output amounted to 9.75 billion kg, a second record high in the province's history; the province's financial revenues, which continued to increase by a wide margin, totaled 5.577 billion yuan in the first 11 months of last year, or 27.4 percent higher than the corresponding period last year, which was among the highest growth rates in the nation.

In improving the economic environment and rectifying the economic order, Yunnan concentrated its main efforts on the following issues:

The scope of capital construction was curtailed, and the construction of key development projects was ensured. From January to September last year, the amount of

investment in fixed assets completed by units under the system of ownership by the whole people in the province decreased by 16.8 percent compared with the same period of the previous year, and it was a 20.2 percent drop after the portion of investment in the earthquake-stricken areas was deducted. Meanwhile, the construction of key development projects was strengthened, and the investment in agriculture, education, transport, and telecommunications increased by a considerably wide margin.

The momentum of excessively high consumption growth was checked. In the first 11 months of last year, compared with the same period of the previous year, the total wage growth of employees of units under the system of ownership by the whole people was 6.8 percent lower, and expenditures for administration 12.4 percent less, and there was a large drop in society's institutional purchasing power.

Companies were screened and rectified, and circulation order was improved. All 6,234 companies in the province have investigated and rectified themselves, during which 429 companies of all types disbanded or merged. The problem of party and government organs doing business or running enterprises has been basically solved. Control has been tightened over the management of major means of production and commodities under exclusive state control. Prices are also becoming stable.

Tibet Secretary Attends Development Symposium

*HK1001065990 Lhasa Tibet Regional Service
in Mandarin 1130 GMT 8 Jan 90*

[Text] Yesterday afternoon, Hu Jintao, secretary of the Tibet Regional CPC Committee, and some other regional party and government leaders attended a regional symposium on economic, scientific, and technological development, which was held in Lhasa.

At the symposium, some experts expressed their own views on how to push ahead with the regional economic, scientific, and technological development and how to give full scope to the role played by various scientific research institutions in promoting regional economic development.

Comrade Hu Jintao conscientiously listened to the views expressed by all the participants at the symposium and called on all the scientific and technological personnel in Tibet to unite together, work hard, and steadfastly implement the line, principles, and policies formulated by the 5th Plenary Session of the 13th CPC Central Committee.

Comrade Hu Jintao said that it is necessary to form a competent contingent of scientific and technological personnel in light of the realities in Tibet. To this end, all the comrades should make continued efforts to improve the quality of regional scientific and technological personnel and practically mobilize the enthusiasm and

initiative of the broad masses of scientific and technological personnel with a view to promoting the development of regional economy, science, and technology.

Comrade Hu Jintao also spoke highly of the great contributions made by the broad masses of scientific and technological personnel in Tibet. He urged the broad masses of scientific and technological personnel in Tibet to make sustained efforts to build a strong and prosperous Tibet.

North Region

Beijing Leaders Visit Holiday Workers

*OW0101142590 Beijing XINHUA Domestic Service
in Chinese 1000 GMT 1 Jan 90*

[By reporter Xiao Jiabao (5618 1367 0202)]

[Text] Beijing, 1 Jan (XINHUA)—Li Ximing, member of the CPC Central Committee Political Bureau and secretary of the Beijing Municipal Party Committee; and Chen Xitong, state councillor and mayor of Beijing, paid separate trips to Tiananmen Square, Changan Avenue, and factories this morning to convey their regards to the armed police and traffic police who were on duty as well as workers who worked on New Year's Day.

Li Ximing arrived in Tiananmen Square early in the morning and gave his regards to the soldiers of the National Flag Squad. He urged the soldiers to rally closely around the CPC Central Committee and to stand fast at the posts during the new year. He then went to the northern intersection of Zhengyi Road to shake hands cordially with all of the traffic policemen there.

Chen Xitong visited the Beijing Electronics-Controlled Power Equipment Plant today to convey the festive greetings of the Beijing Municipal Party Committee and the municipal government to the workers who worked intensely on New Year's day.

Li Ruihuan on Hebei Spring Festival

*OW0801114990 Beijing XINHUA Domestic Service
in Chinese 1137 GMT 6 Jan 90*

[Speech by Li Ruihuan at a discussion meeting on arranging Spring Festival activities for Hebei Province on 4 January 1990, entitled: "Happily Spend the Spring Festival"]

[Text] Shijiazhuang, 6 Jan (XINHUA)—Not long ago, the Propaganda Department of the CPC Central Committee and the Ministry of Culture made arrangements for cultural activities for the New Year and this year's Spring Festival. Now the New Year has passed. Today, I mainly want to know the arrangements for the Spring Festival.

The Spring Festival is a traditional festivity of the Chinese people. The Spring Festival was originally called

year. Mythologically, "year" was a kind of fierce and cruel animal. On the 30th of the 12th month of the lunar year, this kind of animal would come out to harm people and livestock. Later, people discovered that "year" was afraid of loud noise, red color and fire, and so people thought of many methods to defend themselves against "year." The customs of burning firecrackers, beating drums and gongs, lighting red candles, and hanging "peach wood charms against evil" and antithetical couplets were gradually formed. Of course, that was only hearsay. Following the Revolution of 1911, our country adopted the Gregorian calendar and so the new year of the old calendar was changed to the Spring Festival. However, people still customarily call it the celebration of the new year. People in our country attach particular importance to celebrating the Spring Festival. In order to properly celebrate the Spring Festival, people often make a lot of preparations quite a few days before the festival. They include preparing sweet gourd on the 23d, writing large characters on the 24th, sweeping house and yard on the 25th, buying meat on the 26th, killing a cock on the 27th, fermenting flour on the 28th, and pasting an incense dipper on the 29th. People who work or have things to do in other places always want to return to their homes by any means in order to celebrate the new year before the 30th of the 12th month of the lunar calendar. People will reserve their best food for meals during the Spring Festival and wear their best clothes during the days they celebrate the new year of the lunar calendar. On the 30th day of the 12th month of the lunar calendar, people will stay up late or all night. On the 1st day of the new year of the lunar calendar, people will visit each other to pay a new year's call. Various cultural and recreational activities will be presented during the period. Therefore, the Spring Festival is the most lively festival in the whole year.

Our party and government have always paid good attention to the celebration of the Spring Festival. During the war years, Chairman Mao and other leading comrades often watched the spring folk dances, drank rice wine, ate new year cake, and happily celebrated the Spring Festival together with the people in the base area. After the founding of the People's Republic, the party and government have been presenting a series of activities during the period of Spring Festival each year. Leading cadres at various levels would go down to plants, rural areas and military units to see the masses and happily celebrate the Spring Festival together with the people.

This year's Spring Festival is the first Spring Festival in the 1990s; it is also an unusual Spring Festival. It is unusual because, first, following the political upheaval during the period of late spring and early summer last year, the situation of the whole country has become more and more stable and the people all the more cherish the peaceful days. Second, we have achieved initial success in improving the economic environment and rectifying the economic order, and the economic situation is developing in a favorable trend. We must further heighten our spirit in order to overcome temporary difficulties. Third,

the changeable international situation will require us to work harder for the prosperity of our country and to properly perform all our tasks. Properly celebrating this year's Spring Festival and creating a good social atmosphere will have important bearings on strengthening our confidence, doing our jobs well, and making continuous progress. How can we properly spend the Spring Festival? I think it includes the following three points.

First, happily spending the Spring Festival is to have cultural activities with rich and varied programs; this enables all the people to have some rest and to enjoy the beauty of singing and dancing in order to extol the good times.

Leading groups at various levels and cultural and propaganda departments should do their best to prepare elegant spiritual food for the people. In particular, we should make great efforts to carefully select and prepare television programs by taking the interests of the majority of the masses into consideration, attending to all sides, and preparing rich and systematic programs and not disorganized and dull programs. During the period of the Spring Festival, reports of a general nature, advertisements and propaganda should be reduced. Various audio and video recording units and movie distribution and projection units should take the initiative to acquire sufficient films and increase their showings. Various professional art troupes should make preparations to perform theatrical programs with relatively high quality. Movie distribution and projection units and art troupes should do their best to show movies and give performances of theatrical works in the rural areas and at plants and military units in order to comfort the staff members and workers who continue to work during the festival, the frontier and coastal guards and sentries, the sick people in hospitals, and peasants in remote areas. Various cultural halls and stations and public recreational sites at the grassroots level should continue to remain open during the festival period and to properly carry out various cultural activities. We should provide a sufficient supply of cultural items for the festivity including Spring Festival pictures, hanging calendars, Spring Festival couplets and lunar calendars. According to the traditional customs of people in various localities, we should properly organize mass recreational activities, such as flower shows in the northern regions and dragon lantern shows in southern regions; this will enable the masses to view and admire shows and at the same time to perform by themselves. In short, we should create a fervent, lively and happy atmosphere during the festivity.

Second, we should spend a serene and peaceful Spring Festival. We should, through the celebration of the festival, promote mutual-understanding between cadres and masses, enhance friendship among colleagues, improve relations among neighbors and strengthen unity between the armymen and the people in order to further promote a cooperative and harmonious atmosphere in the society.

We should do a good job in carrying out activities which support the army and give preferential treatment to military dependents as well as activities which support the government and cherish the people; further develop the tradition of mutual love between the army and the people in the whole society; extensively unfold activities of learning from Lei Feng and Lai Ning [6351 1337]; and organize young people to present activities of providing services for old, weak, sick and disabled people and widowers, widows, orphans and the childless.

Cadres at various levels should—through new year greeting activities, home visits, heart-to-heart talks and other forms—call on plants, villages and families with difficulties in order to know the situation of their preparations for the Spring Festival, solicit their opinions and suggestions, and effectively help them solve some actual problems. It is necessary to visit those comrades who have complaints about the leadership, extend new year greetings to them, and listen to their opinions in order to enhance mutual understanding and promote friendship.

Since the founding of the People's Republic, especially since the reform and opening to the outside world 10 years ago, the people's standard of living has been rising steadily. However, we should also realize that, due to certain reasons, a small number of people actually have difficulties in their livelihoods. Party and government departments at various levels must take effective measures to help those people solve specific problems and so enable them to have a satisfactory and happy Spring Festival. At the same time, we should, through extensive propaganda, mobilize social forces to jointly help them so as to demonstrate the new type of socialist relationship among the people in our country. Showing concern for the living condition of the masses, thinking about the need of the masses, and being eager to help those in difficulty are our party's honorable tradition and are also important forms and aspects of carrying out ideological and political work. It is hoped that various localities and leading comrades at various levels would work a little harder during the Spring Festival period and strive to do a good job in this matter.

Third, spending a civilized Spring Festival means we should advocate healthy and beneficial practices and eliminate the foolish and backward old customs in order to insure safety and cleanliness.

Following earlier activities of "sweeping away pornography" and eliminating "the six vices" throughout numerous localities, various kinds of ugly phenomena have been greatly reduced. Nevertheless, we should also understand that those kinds of phenomena have not been totally eliminated yet. According to our past experiences, gambling and superstitious activities have easily emerged during the period of the Spring Festival. Therefore, we should heighten our vigilance in grasping this work and not allow those harmful things to disturb the people's celebration of the festival.

We should pay particular attention to insuring safety during the period of the festival. Many cases of people's being hurt or of fire accidents due to burning firecrackers have happened every year. Exploding firecrackers because of happiness, being hurt because of burning firecrackers, suffering pain due to injuries and feeling sorrowful after extreme joy are indeed not worthwhile. This year, we should do a good job in propaganda work and make preparations for guarding against accidents ahead of time. We should do our best to guard against or reduce the number of accident cases. At the same time, we should also do a good job in insuring public security during the period of the festival.

We should do a good job in improving sanitation during the Spring Festival period and insure that people can spend the festival in a clean environment. We should guard against extravagance and waste, and avoid eating and drinking too much and too quickly. We should pay attention to the sciences of food and beverages and enjoy and eat in a civilized manner.

Party and government organization at various levels and leading cadres should attach importance to helping the broad masses spend the Spring Festival in a proper manner. They should see that this is a good opportunity to show concern for the living of the masses, to do a good job in ideological work, to promote the building of spiritual civilization, to improve leading style, and to promote good relations between the cadres and the masses. As our forefathers said, the smooth ruling of the country depends on the wealth of the people, and peace and tranquility of the country depends on the happiness of the people. We have the responsibility along with the resources to help the broad masses spend a happy, serene, peaceful and civilized Spring Festival. Through various activities during the Spring Festival period, we can enable the people to further heighten their spirit, become united, and win new victories in improving the economic environment and rectifying the economic order, deepening the reform, and promoting various socialist endeavors under the leadership of the Party Central Committee.

The year of the horse will soon be here. Tens of thousands of fine horses will usher in a new era with their galloping. I wish you comrades good luck and prompt success in the new year!

Wang Qun Visits Inner Mongolia Women's Federation

SK1001033490 Hohhot Inner Mongolia Regional Service in Mandarin 2300 GMT 8 Jan 90

[Excerpts] The fifth session of the fifth executive committee of the autonomous regional Women's Federation, which concluded on the afternoon of 8 January, set forth the major tasks for the women's work of our region for 1990 as to continue to strengthen propaganda and ideological work, [words indistinct], to fully perform the social functions of women's federations to safeguard the rights and interests of women and promote the equality

between man and woman and, in the process of improvement, rectification and deepening reform, to unite and mobilize the women of various nationalities throughout the region to make contributions to the region's stability and unity, and fulfillment of the three short-term fighting goals for our region's economic development. [passage omitted]

Qian Fenyong, deputy secretary of the autonomous regional party committee, attended and addressed the session. After fully affirming the contributions made by women's federations at various levels throughout the region in the past year, he urged women's federations at various levels to thoroughly study and implement the guidelines of the fourth and fifth plenary sessions of the party Central Committee and the fifth autonomous regional party congress, clarify the [words indistinct] of the organizations of women's federations, and successfully carry out the work in various fields in a down-to-earth manner.

Geriletu and Wuyunqimuge, standing committee members of the autonomous regional party committee, attended the session. Party and government leaders of the autonomous region, including Wang Qun, Bu He and Liu Yunshan, visited all the delegates during the session.

Liaoning's Dalian Attracts Most Investment

OW3112120289 Beijing XINHUA in English
1135 GMT 31 Dec 89

[Text] Beijing, December 31 (XINHUA)—A recent survey shows that Dalian Economic and Technology Development Zone in northeast China has attracted the largest amount of foreign investment among the 14 coastal development zones in the country.

Five years after its establishment, the former Bohai Bay fishing village now boasts a modern infrastructure on its five square kilometers, along with a landmark sail-shaped highrise hotel.

According to a local report, 170 projects with investment of two billion yuan had been approved in the zone by mid-December this year, including 130 foreign-invested ventures with total investment of 1.6 billion yuan.

Priority and favorable treatment have been given to manufacturers and firms that bring in high technology and export-oriented enterprises.

In the first half of this year, the report says, industrial production in the zone rose 130 percent over the same period last year, while foreign exchange earnings by manufacturing ventures increased 4.2 times.

Foreign-invested enterprises have been encouraged by the development zone to export. As a result, over 70 percent of their products now go to overseas markets.

Since its founding in October 1984, the zone has invested 460 million yuan in infrastructure and service projects which now stand ready to attract more foreign and domestic investors.

Northeast Region

Heilongjiang Launches Public Order Campaign

HK1001101290 Beijing RENMIN RIBAO in Chinese
6 Jan 90 p 3

[Dispatch by reporter Wu Peizhen (2976 1014 4176): "Heilongjiang Launches Massive Campaign to Improve Public Order"]

[Text] Heilongjiang has waged a large-scale campaign to wipe out evils in society and to maintain law and order. This has been hailed by the broad masses of the people.

Since the struggle began in mid-December last year, many serious cases have been rapidly cracked. Criminal gangs and lawbreakers who acted wildly in defiance of the law have been caught in the meshes of the law one after another. The hit rate of the criminal cases reached an all-time high. In Suihua Prefecture, 539 criminal cases (including 104 serious cases) were cracked in a single week, with 61 criminal gangs being destroyed and 499 criminal offenders being arrested. At the same time, some 20 abducted women and children were rescued.

Under the stress of the circumstances and under the influence of the government's policy, some criminal offenders surrendered themselves to the authorities and took the initiative in turning over a new leaf. In Harbin City, some robbers and thieves, being led by their wives and mothers, surrendered themselves to the public security organs.

Heilongjiang Province this time mobilized the whole party and the whole people to eliminate evils in society and to maintain law and order. All localities, departments, and units rapidly worked out their own campaign schemes, and tasks were explicitly assigned to leaders at various levels. In Suihua Prefecture, 12 city and county party committee secretaries all signed written pledges to the prefectural authorities. The provincial military district also laid down new requirements for various subordinate units to cooperate with local people in maintaining law and order and worked out an action scheme for the militia and the reserve force to participate in the anti-crime campaign. All districts and counties were required to set up mobile militia brigades to go on patrol and stand by for eventualities.

In the anti-crime campaign, leaders at the provincial, prefecture, and county levels personally directed concrete actions and investigations. On 12 December, the day to make the campaign mobilization throughout the province, Provincial Governor Shao Qihui, together with several deputy secretaries of the provincial party committee and several deputy governors, personally

inspected more than 30 public places in Harbin. Their continual actions resulted in the arrest of more than 400 gamblers on the evening of 18 December.

Liaoning Reports Serious Crimes

SK1001034390 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 5 Jan 90

[Text] On 31 December, the provincial public security department held a press briefing, disclosing the five appalling criminal cases which occurred in the cities of Shenyang, Fuxin, Yingkou, Benxi, and Jinxi within 1 month with regard to hold-up, gun theft, robbery with a gun, and (boat) robbery.

During the press briefing, (Bai Yuntao), deputy director of the provincial public security department, stated that the public security organs throughout the province had regarded the task of actively cracking down on the cases and dealing blows to crimes as an important subject in the monthly campaign of cherishing the people. Spring Festival will come soon and the period prior to the festival is a stage in which crimes are rampant and a high occurring rate of hold-ups, robberies, and murders. He urged the people throughout the province to enhance their vigilance, to strengthen their precautions, to closely coordinate with the public security organs to crack down on the cases as soon as such crimes have occurred, and to deal blows to criminal elements in a timely manner so as to ensure the people's safety during the festival period throughout the province.

Liaoning Congress Head Organizes Marxist Study

SK0301051490 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 2 Jan 89

[Text] In line with the demand for systematically studying Marxist philosophy as set forth by the 5th plenary session of the 13th party Central Committee and the provincial party committee, the key study group composed of chairman and vice chairmen of the provincial People's Congress initially scheduled 2 years' time for studying the philosophic works of Marx, Engels, Lenin, Mao Zedong, Deng Xiaoping, Chen Yun, and other veteran proletarian revolutionaries. Through studying these works, members of this group should have a good grasp of and foster the four basic viewpoints, namely, the viewpoint concerning the relations between subjective and objective, the viewpoint concerning practice, the viewpoint concerning history, and the viewpoint concerning positive attitude. During the study, they should focus their attention on reading the original works, primarily through self-study. Combining reading with discussion, they should be assembled at least once every month.

Northwest Region**Qinghai Secretary Attends Planning Conference**

*HK0501022790 Xining Qinghai Provincial Service
in Mandarin 2300 GMT 4 Jan 90*

[Text] The Qinghai Provincial Conference on Planning Work and the Qinghai Provincial Conference on Financial Work were held simultaneously in Xining City yesterday.

The simultaneous convocation of the two conferences was aimed at linking up the 1990 provincial economic plan with the 1990 provincial financial budget, realizing a comprehensive balance in the provincial economic development, discussing major policy measures, and strengthening coordination among all types of work.

The main task of the two conferences held by the Qinghai Provincial People's Government was: To formulate the 1990 provincial national economic development plan and social development plan and make arrangements for the 1990 provincial financial work and financial budget according to the spirit of the 5th Plenary Session of the 13th CPC Central Committee; the decision made by the 4th Enlarged Plenary Session of the 7th Qinghai Provincial CPC Committee on further improving the economic environment, rectifying the economic order, and deepening the reform; and the spirit of the National Conference on Planning Work and the National Conference on Financial Work. The two conferences were presided over by Jin Jipeng, acting governor of Qinghai Province. Bian Yaowu, vice governor of Qinghai Province, delivered a speech at the two conferences. (Yang Shengjie), director of the Planning Commission of the Qinghai Provincial People's Government, relayed the spirit of the National Conference on Planning Work. (Sun Zhaoran), director of the Finance Department of the Qinghai Provincial People's Government, relayed the spirit of the National Conference on Financial Work.

Provincial party and government leaders, including Yin Kesheng, secretary of the Qinghai Provincial CPC Committee, Tian Chengping, deputy secretary of the Qinghai Provincial CPC Committee, Huanjue Cailang, chairman of the Standing Committee of the Qinghai Provincial People's Congress, and some other leaders, attended the two conferences.

Ningxia Cracks Down on Six Vices

*HK0301024090 Yinchuan NINGXIA RIBAO
in Chinese, 12 Dec 89 p 1*

[Report by Xiao Wenhua (5618 2429 5478): "Ningxia Region Attains Initial Results in the Struggle To Wipe Out 'Six Vices'"]

[Text] According to State Council's requirements for wiping out the 'six vices' and the autonomous region government's strategy, with the offensive actions by the public security forces, the cooperation of government departments concerned, and the support of people of the region, the wipe-out operation in this region has attained initial results.

Since the beginning of November, the region has broken up 283 instances of gambling, caught 1,300 gamblers, confiscated 394,000 yuan of stake money, detected 36 cases of whoring, arrested 148 prostitutes and their clients, seized 150 obscene videotapes and over a thousand salacious books and magazines, captured over 140 drug addicts and smugglers, and cracked a number of abduction cases.

Recently under the influence of capitalistic corruptive ideology and evil social practices, the autonomous region saw gambling, prostitution, and other vices spreading throughout cities and villages, causing serious damage to the societies there; people bitterly hated the vices. The struggle to wipe out the six vices therefore won the people's response and support right from the beginning, and the struggle was carried out quickly throughout the region. In Helan County, the administrative and law departments took a month's coordinated action aimed at checking gambling activities, and they broke up 68 instances of gambling, arrested 298 gamblers, and confiscated over 30,000 yuan of gambling money. In Yinchuan City, the public security departments investigated private hotels and bars, and discovered 6 places of prostitution and caught over 40 law breakers. Yongning County, by using educational methods along with police action, not only arrested gamblers but also had 213 persons voluntarily make confessions to public security agencies about their own or other people's gambling activities. In the city of Wuzhong, the public security forces checked hotels and inns several times to catch 20 prostitutes and visitors, most of whom were castaways from the neighboring provinces of Shaanxi and Gansu. In Shizuishan City, the Dawukou District administrators let people speak out against vices and their reports produced clues leading to the nailing down of professional gamblers and heads of gambling houses. In Guyuan District, departments of public security, supervision, law, and justice took coordinated and careful actions to capture drug addicts and smugglers totaling over 140.

The departments concerned are doing their best to crack vice cases in order to punish the criminals and law-offenders without delay. Helan County sent 20 diehard gamblers and heads of gambling houses to jail. Yinchuan City arrested the owners of Gouchiang Inn and Jincheng Inn, where prostitutes were allowed to do business. The registrations of the two inns, plus Yumei Inn, Little World Bar, and the guesthouse of Yinchuan Canning

Factory, were revoked. Other cities and counties, like Qingtongxia, also put a bunch of criminals and offenders on trial and had them punished according to law.

While the public security and justice departments are making efforts to handle the discovered cases of vice, the struggle to wipe out the "six vices" will be carried forward to deeper levels.

Li Teng-hui Stresses Police-People Cooperation

*OW0101095390 Taipei Domestic Service in Mandarin
2300 GMT 29 Dec 89*

[Text] When President Li Teng-hui received the representatives of model citizens on 29 December, he said: I feel very much concerned about the aggravation of the current social order. To promote a good social order, we must pay attention to cooperation between police and the people.

President Li pointed out: Over the past few years we have been continuously making reform and progress in the economic, political, and cultural fields, yet because of uneven social developments, extortion, violence, and profiteering are becoming increasingly serious. President Li encouraged the representatives of model citizens to play an exemplary role, unite with the righteous force in society, spread their kind-heartedness and noble deeds to the entire society, and make common efforts to build an even better future.

President Li Makes Inspection Tour of Islands

*OW0301143790 Taipei CNA in English
1508 GMT 2 Jan 90*

[Text] Taipei, Jan. 2 (CNA)—President Li Teng-hui Tuesday made a whirl-wind inspection tour of the Tungsha (Pratas) Islands in the first such visit to the South China Sea islets by a Republic of China [ROC] chief of state.

The president flew into Tungsha, about 220 miles southwest of the southern Taiwan port city of Kaohsiung, at [words indistinct] a.m.

He was accompanied by the Chief of the General Staff Gen. Chen Shen-ling, Kaohsiung Mayor Su Nan-cheng and Kaohsiung City Council Speaker Chen Tien-mou during his three-hour stay on the islands group, consisting of a main island and two coral reefs.

Immediately after his arrival, President Li toured Tungsha's major military and non-military facilities, including a radio station, a meteorological observatory, a hospital, and a fishermen's center.

He also chatted with soldiers and officers of the naval and air force units stationed on the islands. Before flying back to Taipei, he had lunch with representatives of the troops.

President Li's visit to the islands reaffirmed the ROC's claim to sovereignty over the islands.

On June 1989, ROC Interior Minister Hsu Shui-teh visited the islands and unveiled a monument bearing four Chinese characters reading "nan hai ping chang" meaning shield of the South China Sea, to mark the nation's determination to defend its territory.

Premier Views Mainland Democracy Movement

*OW0201081790 Taipei International Service
in English 0200 GMT 30 Dec 89*

[Text] Premier Li Huan pointed out on Saturday [30 December] that there is a World War III going on. This war is not a war among countries, but it is a war between freedom and communist dictatorship. The tools for the war are not cannons and fighter planes, but economic system and ideology.

Premier Li said in the opening ceremony of the seminar for prodemocracy movement and China's future that the Tienanman [Tiananmen] incident was the first of its kind, but it will never be the last. The students' protest in Tienanman Square represented the catalyst of changes in the mainland. Chinese Mainland will eventually be the main battlefield of democracy and communism.

The premier said that the basic principles for ROC's [Republic of China's] policy toward the mainland are peacefulness, assertiveness, democracy, safety, and gradual steps. Based on the domino theory of the East bloc, however, the ROC Government is prepared to cope with the sudden change of the China Mainland situation anytime, he said.

Premier Li Huan also clearly pointed out on Friday that the basic aim of Taiwan's mainalnd policy at the present stage is to strive for the reunification of China. This policy shall protect Taiwan's safety and also improve the relationship between the both sides of the Taiwan Strait under one-China policy. He said this policy will be adjusted to fit into the changes that take place in Mainland China. After the June 4 Tienanman massacre, he said, Communist China had not advanced politically, economically, nor socially. Therefore, any reforms within the Communist Party will not yield immediate success, and outside armed force is needed to challenge the Communist Party for significant results.

Premier Li also explained the purpose of the policy is to minimize the animosity and ease the tension between the Taiwan Strait. He does not wish the policy to be misinterpreted. He said a unified but not democratic China does not meet the Chinese peoples' needs. A democratic, but divided China also disobeys the will of the Chinese.

Li Huan Reportedly Vice Presidential Nominee

*OW0701233890 Taipei CHINA POST in English
3 Jan 90 p 12*

[Text] President Li Teng-hui has chosen Premier Li Huan as his running mate in the presidential elections in March, two Chinese-language newspapers reported yesterday.

In front-page stories, the Capital Morning Post and the China Times Express said President Li has informed Premier Li of his decision to nominate the premier as vice president.

Although Premier Li is not interested in the vice presidency, he has agreed to President Li's decision, the newspapers said.

The 72-year-old premier wants to continue serving as premier, apparently because if he became vice president it would be tantamount to being kicked upstairs, political analysts said. The vice presidency is mostly a ceremonial post and has minimal power attached to it.

Premier Li will be officially nominated the vice presidential candidate of the ruling Kuomintang (KMT) at an extraordinary session of the party's 13th Central Committee on Feb. 11, the papers said.

The premier could not be reached for comment last night.

The papers did not mention their sources, but the reports are considered reliable because the article in the Post was written by the daily's editor-in-chief Jung Fu-tien, who is known to have close ties with ranking government officials.

The Express on the other hand is a sister publication of the mass-circulation China Times, headed by Yu Chichung, a former member of the KMT's decision-making Central Standing committee.

Premier Li is likely to be succeeded by Taiwan Governor Chiu Chuang-huan in June or July after the newly elected president and vice president are inaugurated in May, the papers said.

The president and vice president will be elected by the National Assembly on March 21.

Chiu, 64, described by the political analysts as a "yes man," would be the first native Taiwanese to head the Executive Yuan, or Cabinet.

He has been governor since 1984 and has repeatedly said he will not continue serving in his current post after his term expires this year.

Wego Chiang also Kicked Upstairs

Gen. Wego Chiang, secretary-general of the National Security Council and a potential vice presidential candidate, will be named president of the Examination Yuan, replacing Kung Tehcheng, who is to retire in August, the newspapers said.

It was not immediately known if Chiang would settle for the presidency of the Examination Yuan since it would also be tantamount to kicking him upstairs, the analysts said.

Chiang, 73, is the youngest son of the late President Chiang Kai-shek and the half brother of the late President Chiang Ching-kuo, who handpicked President Li as his successor in 1984.

Due to his family background, Wego Chiang is favored by many hardline members of the National Assembly as vice president.

But President Li who has been trying to shrug off the political legacy of the Chiangs is not likely to nominate Wego Chiang as his running mate, the analysts said.

Court Jester

Wego Chiang's hopes of becoming vice president were also dashed by his "frivolous conduct," which also caused his half brother, the late President Chiang Ching-kuo, headaches, the analysts said.

He has been labeled by critics for behaving at times like "a court jester."

Premier Li on the other hand is also "acceptable" to members of the National Assembly as vice president because like most of the members of the electoral college, he is originally from mainland China, the analysts said. Li is a native of Hankow.

The assembly is dominated by aging members who have not had to stand reelection since they were first elected on the mainland four decades ago.

Also, Premier Li's wife, Pan Hsiang-ning, is a mainland-elected member of the assembly.

Too Popular

Lin Yang-kang, 63, the popular and charismatic president of the Judicial Yuan who is a possible candidate for both the vice presidency and the premiership, will remain in his current post, the newspapers said.

There have been rumors of rift between Lin and President Li.

Li had been one step behind Lin in their political careers until 1984, when Li became the late President Chiang Ching-kuo's anointed successor.

Lin, the only native Taiwanese political heavyweight with as much clout as Li, has posed a threat to the president since Li became head of state following Chiang's death in January 1988, the analysts said.

Another factor against Lin becoming vice president is that, like Li Teng-hui, he is a native son.

It is an unwritten rule that the No. 1 and No. 2 posts in the Central Government branches and Cabinet ministries should be shared between native Taiwanese and mainland Chinese immigrants or their children to maintain a balance of power between the two groups.

Speaker of parliament

During its regular weekly meeting on Feb. 14, the KMT's decision-making standing committee will nominate

Liang Su-yung, vice president of the Legislative Yuan, to run for president of the nation's highest lawmaking body, the newspapers said.

Despite growing calls for Taiwan-elected legislators to become both the president and vice president of the legislature, the KMT has decided to nominate Liang to appease mainland-elected National Assembly members ahead of the presidential elections, the papers said.

Liang, 69, a native of the northeastern mainland province of Liaopeh, has been frozen in office since he was first elected to the legislature from his hometown in 1948.

He will replace Liu Kuo-tsai, 78, a native Taiwanese, who is retiring.

Taiwan-elected deputies Liu Sung-fan and Hung Yu-chin who have to stand reelection every three years will vie for the vice presidency of the legislature, the newspapers said.

Legislative Yuan Revises Dismissal Regulations

*OW0101111090 Taipei Domestic Service in Mandarin
2300 GMT 29 Dec 89*

[Text] The Legislative Yuan's regular meeting on 29 December approved an incidental motion to revise regulations governing ranking officials' dismissals from office by adding a clause under Article 2. This clause is aimed at the lawmakers and watchdogs. This incidental motion went directly through a second and third reading and completed the legislative procedure within 5 minutes at the regular meeting.

Legislators Chao Shao-kang and Chu Kao-cheng opposed the motion. They said the revision involves the legislators' own interests and should not be approved hastily, and that it is necessary to consider the question of whether the clause added to the regulations will also apply to the National Assembly deputies or not in future. However, because neither of them kept to their stand, the regular meeting smoothly completed the legislation.

Global Trade Promotion Program Produces Results

*OW3112210489 Taipei CNA in English
1526 GMT 31 Dec 89*

[Text] Taipei, Dec. 31 (CNA)—The Republic of China's [ROC] 1989 global trade promotion program targeting 20 developing countries has borne fruits, a China External Trade Development Council (CETRA) spokesman said Sunday.

The 20 key developing countries included in the program are Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Yugoslavia, India, Pakistan, Bangladesh, Iran,

Iraq, Turkey, Egypt, Morocco, Nigeria, Tunisia, Mexico, Brazil, Chile and Venezuela.

The spokesman said that two-way trade and ROC exports to these 20 developing countries have seen a growth much higher than the nation's average trade growth.

CETRA said that two-way trade between the ROC and these 20 countries will reach 4 billion U.S. dollars in 1989, an increase of 43 percent over 1988.

The nation exported 1.9 billion U.S. dollars worth of goods to these 20 countries in 1989, up 65 percent from a year ago, CETRA said.

Economy Grows 7.21 Percent in 1989

*OW0501055590 Taipei CNA in English
0240 GMT 5 Jan 90*

[Text] Taipei, Jan. 5 (CNA)—The Republic of China economy grew 7.21 percent in 1989, according to the latest statistics compiled by the Directorate General of the Budget, Accounting and Statistics.

The nation's 1989 gross national product (GNP) was 3,966.5 billion New Taiwan dollars (about 152.57 billion U.S. dollars) and annual per capita income reached 7,518 U.S. dollars.

1989 Trade Exceeds 1988 Volume

*OW0501175390 Taipei CNA in English
1608 GMT 5 Jan 90*

[Text] Taipei, Jan. 5 (CNA)—The Republic of China's 1989 foreign trade totaled 118.4 billion U.S. dollars, an increase of 8.1 billion over a year ago, according to customs statistics released Friday.

Experts estimate that this would make the ROC the world's 13th largest trading nation, just behind South Korea.

The country's 1989 exports reached 65.2 billion U.S. dollars, up 9.3 percent from 1988, and imports amounted to 52.2 billion U.S. dollars, a growth of 5.3 percent; the trade surplus was 13.9 billion U.S. dollars, up 27.5 percent.

The country's 1989 trade surplus with the U.S. was 12 billion U.S. dollars, down some 10 percent from the 1988's 13.3 billion U.S. dollars.

Vice Economics Minister Wang Chien-shien called the 10 percent decrease "significant" because it was precisely the target set by the government in its "action program to strengthen ROC-U.S. trade ties."

"The U.S. should recognize our sincerity and the actual results of our efforts to reduce trade surplus," Wang said.

The customs figures indicate that the U.S. remained the ROC's major export market, absorbing 24 billion U.S.

dollars worth or 36.2 percent of the country's export commodities in 1989. In 1988, 38.7 percent of ROC exports went to the U.S.

Last year, the ROC imported 12 billion U.S. dollars worth of goods from the U.S., compared with 16 billion U.S. dollars from Japan. American imports accounted for 23 percent of the country's total imports in 1989, compared with 26.2 percent in 1988.

A record 16 billion U.S. dollar imports from Japan accounted for 30.7 percent of the country's 1989 imports, and a record trade deficit of 6.97 billion U.S. dollars.

In 1987, Japanese imports worth 11.8 billion U.S. dollars, accounted for 34.3 percent of the country's total imports. In 1988 the figure rose to 13.7 billion U.S. dollars and 35.1 percent.

Hong Kong

Governor Prepares for Beijing Visit

Outlines Agenda

HK0501015390 Hong Kong SOUTH CHINA MORNING POST in English 5 Jan 90 p 2

[By Helen Signy]

[Text] The Governor, Sir David Wilson, yesterday said he would try to re-establish confidence between Hong Kong and Chinese officials during his mission to Beijing next week.

Sir David said he would discuss Hong Kong's political reform and Britain's recent nationality package with top Chinese leaders who were concerned with Hong Kong.

"I ... will try to re-establish some degree of confidence between ourselves and people in Beijing who are involved with Hong Kong affairs so we can manage the relationship to the advantage of Hong Kong and so that it's an easier relationship than there has been over the last few months," he said.

"I'll be covering a whole series of subjects, and one of the subjects is the question of constitutional development in Hong Kong.

"It is one of the points of concern in Hong Kong—what should be our basic constitutional development, what are the views of people in Hong Kong—and I shall be wishing to put those views across to the Chinese leaders I'll be seeing," he said.

He had not yet received full details of which leaders he would meet.

Sir David was speaking during a tour of the Northern District where he viewed new facilities in Shataukok town and Ting Ping Estate.

The Beijing visit, from January 10 to 12, will be the first high-level contact between China and Hong Kong since the June massacre, and the last chance for both sides to meet before the Basic Law Drafting Committee political sub-group finalises Hong Kong's post-1997 political structure the following week.

China's leadership is opposed to a speedy pace of political reform in Hong Kong, but Sir David said it was important to form a political model to cater to the needs of the majority of Hong Kong residents.

"I think this is something we have got to go on discussing with the people who are drafting the Basic Law to try to achieve a Basic Law which matches the needs and the wishes of the mainstream of opinion in Hong Kong," he said.

He said he would also be willing to explain to Chinese leadership that Britain's nationality package was

designed to keep people in Hong Kong so they could contribute to the territory's prosperity and stability.

But he said the British Foreign Secretary, Mr Douglas Hurd, was unlikely to make any new announcements during his four-day visit to Hong Kong, beginning on January 13.

"Mr Hurd will be coming here essentially to see Hong Kong for himself, to listen to people and to hear about people's concerns here. That would be the objective of his visit rather than him making any announcements at this particular time," he said.

Departs 10 Jan

OW1001121990 Beijing XINHUA in English 1040 GMT 10 Jan 90

[Text] Hong Kong, January 10 (XINHUA)—Hong Kong Governor Sir David Wilson left here by air at noon today for a 3-day visit to Beijing.

Before his departure, the governor told journalists at the Hong Kong International Airport that during his visit to Beijing he will meet with Chinese Prime Minister Li Peng, director of the Hong Kong and Macao Affairs Office under the State Council Ji Pengfei, his host, Vice Minister of Foreign Affairs Zhou Nan, and deputy directors of the Hong Kong and Macao Affairs Office Li Hou and Lu Ping.

"The subjects I will be covering are all the matters which are of concern between ourselves and China at the moment," he said.

The governor said he "will be hoping to bring up to date the people in Peking who are dealing with Hong Kong affairs what's happening in Hong Kong, what our own plans are for the development of the future and what the views of people in Hong Kong are at the moment."

He said: "I hope that, through this visit to Peking, it will be possible to try to reestablish a productive dialogue with the people in Beijing [as received] who are dealing with Hong Kong affairs."

He is accompanied on his visit by Lady Wilson, Political Advisor William Ehrman, and his Private Secretary Clinton Leeks.

He was seen off at the airport by Chief Secretary David Ford.

Senior Cadre Replaced on Joint Liaison Group

HK1001034690 Hong Kong MING PAO in Chinese 10 Jan 90 p 2

[Special Dispatch: "Guo Fengmin Will Replace Ke Zaishuo As Senior Representative of the Chinese Side of the Joint Liaison Group"]

[Text] It was revealed that Ke Zaishuo, senior representative of the Chinese side of the Sino-British Joint

Liaison Group, will retire in the near future. He will be replaced by Guo Fengmin, now director of the Hong Kong-Macao Affairs Office of the Chinese Ministry of Foreign Affairs.

The post of director of the Hong Kong-Macao Affairs Office of the Ministry of Foreign Affairs will be filled by Chen Ziyang, former Chinese Ambassador to Britain.

In an interview with this reporter yesterday, an official of the Chinese side of the Sino-British Joint Liaison Group in Hong Kong said that he had "no comment" on the above news. But that official made no denial. He also revealed that later the Ministry of Foreign Affairs would make an announcement.

Guo Fengmin, who will take up the new post in Hong Kong, is 59 years old. He is a native of Chaoyang, Guangdong. He has 40 years of diplomatic work experience. At 20, he became one of the first group of diplomatic officials sent to the West by the Chinese Communist Party. After the Cultural Revolution, he was transferred to the Research Institute of International Problems under the Ministry of Foreign Affairs and concentrated on studying West European issues. Before he replaced Ke Zaishuo as Director of the Hong Kong-Macao Affairs Office of the Ministry of Foreign Affairs in 1988, he was the Chinese Ambassador to West Germany.

Ke Zaishuo, who is 65 this year, is a native of Fujian. He was the leader of the student movement led by the Chinese Communist Party in the 1940's. In the early 1950's, he was sent to Prague as the permanent representative of the Chinese Students' Association to the International Students' Association. Given diplomatic work background, Ke Zaishuo was transferred to work at the International Organizations and Conferences and Law and Treaty Department of the Chinese Ministry of Foreign Affairs. He was China's expert in the study of the law of the sea. In July 1983, when the Chinese and British sides started the second phase of talks on the Hong Kong issue, Ke Zaishuo was one of the members of the Chinese delegation. Later, he was head of the Chinese side of the work group. Governor of Hong Kong David Wilson was then head of the British side of the work group.

In 1985, Ke Zaishuo started acting as senior representative of the Chinese side of the Sino-British Joint Liaison Group. Since 1988, he has been permanently posted in Hong Kong. During his term of office, the liaison group has cooperated well with the British side, solving a series of important problems on the future development of Hong Kong, including the arrangement for Hong Kong to independently join the General Agreement On Tariffs and Trade.

A source said that Ke Zaishuo's retirement is purely a matter of stipulated age limits and is not something unusual. After his retirement, Ke Zaishuo will settle down in Beijing.

Local XINHUA Official Dismissed for Zhao Ties

HK1001031290 Hong Kong MING PAO in Chinese
10 Jan 90 p 2

[“Special” dispatch: “XINHUA Deputy Secretary-General Liu Lin Dismissed for Close Relationship with Zhao Ziyang”]

[Text] On the day following 2 January, when Xu Jiatun, director of the XINHUA Hong Kong Branch, returned from Beijing, Liu Lin, deputy secretary general and director of the general office of XINHUA Hong Kong Branch, was relieved from his post for having a close relationship with former party general secretary Zhao Ziyang. He was then transferred to the interior. A senior official of the XINHUA branch said that it was a normal personnel transfer.

The vacant post of director of the general office has been filled by a deputy director.

Before coming to Hong Kong, Liu was deputy secretary general of the Shenzhen City Government.

Another senior XINHUA official said that some cadres of the Hong Kong branch have been temporarily transferred from the interior. It is quite normal that they are transferred to the interior after several years' service here.

When asked about matters concerning Xu Jiatun's retirement, both the senior officials said that they had not been informed about it.

As to whether there will be great personnel changes after Xu's retirement, the official said that these are no longer the years that "every new sovereign will bring his own couriers."

He also said that even if Xu retires, his participation in the drafting of the Hong Kong basic law will not be affected.

It was learned that some usual practices of Xu and other senior XINHUA officials during the Spring Festival, such as paying New Year calls to Guangzhou and Shenzhen, will be canceled this year, because they will be very busy during this period. The exchange with the interior can be promoted at some other time, not necessarily at the Spring Festival by paying New Year calls. The senior official said laughingly that this is also a "reform."

Article Explains XINHUA Work in Hong Kong

HK3012040089 Hong Kong TANG TAI in Chinese
No 5, 23 Dec 89 pp 17

[Article by Teng Feng (6772 1496): "Division of Work Inside the Hong Kong Branch of XINHUA NEWS AGENCY"]

[Text] In the last issue of this journal, we gave detailed accounts of the organizational structure of the Hong Kong Branch of XINHUA NEWS AGENCY. In this

issue, we will talk about division of work inside the branch (at and above the level of deputy secretary general), so that our readers will understand the operations of the CPC in Hong Kong.

1. Director of the Branch

The director of the branch is an open post. But inside the party, the director of the branch is called the secretary of the Working Committee of Hong Kong and Macao of the CPC. Inside the CPC, the Working Committee of Hong Kong and Macao is a unit at a provincial, or army, or ministerial level (defined in 1983). Therefore, the secretary of the Working Committee is actually a cadre at ministerial level (Xu Jiatun is a cadre of 9th administrative grade). In China, a local party secretary is fully responsible for all matters in the place under his jurisdiction. This is also the case with the secretary of the Working Committee of Hong Kong and Macao of the CPC. He is responsible for all matters of the leftist organs in Hong Kong. On the mainland, very often a party secretary might have concurrent posts. For example, a provincial party secretary is concurrently political commissar of the provincial military district to demonstrate the principle that the party commands the gun. At present, although Chinese troops have not been stationed in Hong Kong, the secretary of the Working Committee of Hong Kong and Macao is entrusted with a similar task. He is responsible for coordinating security and intelligence work of the three main sectors of the party, government, and the army.

2. Deputy Branch Directors

The deputy branch directors are also open posts. Inside the party, they are called deputy party secretaries (or members of the standing committee) of the Working Committee of Hong Kong and Macao. At present, there are six deputy directors whose specific division of work is as follow:

1) Zheng Hua: According to an official listing by the XINHUA News Agency, Zheng Hua ranks first among other deputy directors. In the Working Committee, he is responsible of organization work. In other words, he is responsible for administering the CPC cadres in Hong Kong.

2) Qiao Zonghuai: Inside the branch, Qiao Zonghuai ranks second among other deputy directors. He is responsible for foreign affairs of the CPC in Hong Kong. He is also a member of the Chinese side in Sino-British Liaison Group, and only second to Ke Zaishuo. He is responsible for liaison work with the political advisor of the Hong Kong Government.

3) Mao Junnian: Among deputy directors of the XINHUA Hong Kong Branch, Mao Junnian is the only senior party member recruited in Hong Kong. He is a model of Xu Jiatun's plan of localization. To promote him, apart from appointing him deputy director of the Hong Kong Branch, he was once sent to the Central Party School in Beijing to study for a certain period of time. Inside the branch, he is responsible for cultural and educational work. Recently, due to the fact that he has

participated in the work of drafting the Basic Law, he has shifted his efforts to this new task.

4) Zhang Junsheng: He is the highest ranking and most rapidly promoted member of Xu Jiatun's Jiangsu and Zhejiang gang in Hong Kong. Inside the party, he is responsible for propaganda work (therefore, he personally handled the WEN WEI PO event). In Hong Kong, propaganda work of the CPC is divided into two parts: First, administering the leftist newspaper, film, and publication organs to ensure that they become propaganda tools of the central authorities; and, second, doing united front work for those non-leftist press circles. According to the tradition of the CPC, propaganda work is as important as military work. Therefore, there is a saying that the CPC relies on the barrel of gun and pens to build itself up. Propaganda is a very important post. In addition, Zhang Junsheng is also in charge of leading the work of the Cultural and Sports Department. The department is responsible for establishing ties with the two television stations and with personages from the recreational and sports circles.

5) She Mengxiao: Among those deputy directors of the branch, he has made the fewest public appearances because he has just come to Hong Kong. In addition, his work "cannot be opened to the outside world" (according to the jargon of the CPC, this means that he is responsible for confidential work). He came from the "Political and Law Commission under the CPC Central Committee" headed by Qiao Shi, who is responsible for the public security, procuratorate, court, and secret service sections in China. She Mengxiao is concurrently secretary general of the Hong Kong Branch. He is in charge of the administrative work of the Branch. This shows that he is responsible for practical work in Hong Kong.

6) Pan Zengxi: He is the newest deputy director, mainly responsible for economic work. In particular, he is in charge of the work of strengthening the administration and coordination of organs run by Chinese capital in Hong Kong.

3. Assistants to the Director

In the Hong Kong branch, the role of assistants to the director is not so marked. They are mainly responsible for the mass and economic work. Wang Rudeng is responsible for youth work, and Chen Fengying is responsible for women's issues work. In the past, Tan Fuyun was responsible for economic work. But the work has now been taken over by Pan Zengxi. As revealed by some XINHUA people, the posts of assistants to the directors are set to appease local cadres, because after Xu Jiatun came to Hong Kong, many local senior cadres were repelled. To show that he does not repel local cadres, Xu specially promoted Wang and Chen, who are local cadres.

4. Secretary General

As mentioned above, the post of secretary general is concurrently taken by She Mengxiao. Inside the Hong

Kong Branch, the general secretary is responsible for administrative and security work.

5. Deputy Secretaries General

Deputy secretaries general are mainly responsible for the confidential work inside the party. They are:

- 1) Wang Fangwen: He is responsible for work with Taiwan. On the mainland, a similar post connected with Taiwan affairs is set in some provincial or city party committees.
- 2) Peng Songnian: He is responsible for public security work.
- 3) Lai Shiyi: He is responsible for training and ideological education for cadres.
- 4) Yang Sheng: He is responsible for united front work (an open post).

6. Directors of Various Departments

There are various departments under the Working Committee. Those open departments include United Front Work Department, Propaganda Department, Organization Departments, Foreign Affairs Departments, Economic Department, Cultural and Educational Department, Literature, Art and Sports Department, Mass Department, Women Department, Youth Department, and so on. In addition, there are some departments which are not open to the outside world, including departments in charge of Taiwan affairs, public security, safety, and so on. Everyone knows what they are doing, and there is no need for us to explain it in details. Apart from those departments mentioned above, a research office has been set up to specially study the policies of the Hong Kong Government and the countermeasures of the Chinese Government. The names of responsible person of those departments have been published in our article carried in the last issue. There is no need for us to repeat their names.

Besides those departments, there is a writing group in the Hong Kong branch, which is responsible for writing articles criticizing some matters happening in Hong Kong to reflect the viewpoints of the Working Committee of Hong Kong and Macao on some events (many articles published in "Masses' Voice" column of WEN WEI PO are written by the writing group). The writing group was established a long time ago. However, due to the fact that its members were not familiar with Hong Kong affairs, the group was not active. After Xu Jiatusheng came to Hong Kong, the Hong Kong Branch has increased its meddling in Hong Kong affairs. He invited some good writers on the mainland to come to Hong Kong to write articles reflecting his views. After reorganization, the group is now very active.

In certain aspects, the Hong Kong Branch is similar to a regular Chinese embassy stationed abroad. Its members come from different departments and are each responsible for the work of their own departments in Hong Kong. It is appropriate to say that in the Hong Kong Branch there are representatives from foreign affairs,

security, national defense, culture, education, and economic "sectors." They work in the name of XINHUA NEWS AGENCY. This situation is the same as that of the Chinese embassies abroad.

We mentioned above some of the work of the Working Committee of Hong Kong and Macao of the CPC. This shows how specifically and meticulously the CPC is meddling in Hong Kong affairs. Before 1997, there was a full structure for administering Hong Kong. It is difficult to imagine that after 1997 it will give up such specific and meticulous organizational methods.

Supplement and Correction: According to the structural diagram of the XINHUA Hong Kong Branch published in the last issue [see referent item published in the 4 January China DAILY REPORT, page 69], Luo Yunhai is deputy director of Literature, Art and Sports Department. Actually, he retired in the middle of this year. The newly appointed two deputy directors of the department are Li Chen (formerly deputy director of the provincial Cultural Bureau of Heilongjiang Province) and Cui Songming (formerly working in Radio and Television Ministry in Beijing). In addition, Acting Director of Social Work Department Hu Weixi has been promoted to be director of the department.

Panamanian Consul Implicated in Passport Racket

HK1001021390 Hong Kong SOUTH CHINA MORNING POST in English 10 Jan 90 pp 1, 4

[By Jimmy Leung]

[Text] The Panamanian Consul-General in Hong Kong, a nephew of deposed Manuel Antonio Noriega, has been accused of charging US\$150 to stamp a visa, US\$150 for a medical certificate and between US\$10,000 and US\$15,000 for a Panamanian passport.

Mr Jose Chen Barria, Panama's new civilian immigration director, said that Mr Ciro Noriega Quintero was at the centre of a passport-for-sale business which netted millions of dollars.

"The business operated in different places, but principally in Hong Kong," he said, adding that he had asked the Attorney-General to begin an investigation.

Mr Chen told a press conference that the Panamanian consulate in Hong Kong was "directly involved" in illegal passport and visa transactions for Chinese citizens.

It was not immediately clear whether the Chinese citizens were from Hong Kong or from mainland China.

Mr Noriega Quintero yesterday denied the charges levelled against him.

"We don't have the right to issue passports in Hong Kong, so it has nothing to do with our office here," he said on RTHK radio yesterday.

"We just receive applications from Panamanian citizens who want to renew their passport in Hong Kong and we send their applications to the passport department. That's our only duty here regarding passports."

Asked whether he would contact his government to clarify the situation in the light of these reports, Mr Noriega Quintero said this was the first news he had about the government investigation.

"We receive daily communication from the Government but they have never asked us about any report or matter such as this," he said.

A Panamanian source in Hong Kong said Mr Noriega Quintero would soon be replaced as the country's representative in Hong Kong because of his close links with the deposed military强人.

Mr Chen said that documents confiscated by American troops and Panamanian officials showed that 65,999 Cubans, Chinese and Libyans had entered Panama by various means in the past five years alone.

The new Panamanian regime believes that after Chinese authorities suppressed the student-led democratic movement last year, many Chinese with cash scrambled after Panamanian documents in Hong Kong.

Neal Kuo, a correspondent for ASIAWEEK in Panama, said many of China's elite bought passports for their children as a precaution against further violence.

"The whole business was like buying insurance," Kuo said. "If anything happened, they could leave the country as foreigners."

Manuel Noriega's Miami lawyer, Mr Frank Rubino, even became involved, at least in name. His name appeared in an advertisement in the SOUTH CHINA MORNING POST promising "Immediate Permanent Residency", enticed buyers with news of a warm climate, easy access to the United States, and a low cost of living. A Miami phone number followed.

Mr Noriega Quintero, reported to be in his early 40s, took up his Hong Kong post about five years ago, soon after Manuel Noriega came to power.

A secretary at the consulate confirmed that Mr Noriega Quintero was a nephew of the deposed dictator.

Mr Chen said documents recovered from Panama's immigration service revealed a vast network of sales deals and while-you-wait processing that brought a flood of refugees to Panama's shores along with badly needed cash.

Eight former agency officials, now in U.S. custody, will be prosecuted for immigration abuses, Mr Chen said.

The former agency chief, Ms Belgica del Castillo, remains holed up in the Vatican Embassy, where she and her husband took refuge along with Noriega after the invasion.

It is believed Ms Castillo, rumoured to be a former mistress of the general, ran the agency with several of the general's relatives.

After being toppled in the December 20 invasion, Noriega first took refuge in the Vatican mission and then surrendered to U.S. officials last Wednesday.

He was then flown to Florida to face trial on drug trafficking charges.

The sale of Panamanian travel documents is not new.

Colonel Rafael Diaz Herrera denounced the practice in 1987 when he broke with Noriega.

By then Noriega appointees already occupied key positions in immigration.

The general appointed his nephew as Panama's consul-general in Hong Kong, and his brother-in-law, Mr Ramon Siero, the head of the Labour Party, soon became ambassador to Taiwan.

Noriega's personal finance wizard, Mr Guillermo Vega, took over as ambassador to England.

It is alleged that US\$20,000 in Taipei bought a five-year non-renewable passport, US\$6,000 to the right agent in Hong Kong got you out of mainland China and a US\$2,500 visa plus cash for the smuggler got a Cuban to Miami.

It is believed the Government began more aggressive marketing after Noriega ran afoul of the U.S.

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11 Jan. 1990

